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OUTLOOK & SITUATION

This report was generated as part of the International Economics Division's ongoing program of agricultural situation and outlook analysis and reporting. The program's regularly scheduled publications include: the *World Agricultural Situation and Outlook* published three times annually; regional situation and outlook reports on Asia, Africa and the Middle East, the People's Republic of China, Eastern Europe, the Soviet Union, Western Europe, and the Western Hemisphere published annually; indices of world and regional food and agricultural production published annually; the *Foreign Agricultural Trade of the United States* published bi-monthly; the *Food Aid Needs and Availabilities Report* published quarterly; and the *Outlook for U.S. Agricultural Exports* published quarterly. All are available on request from the Economic Research Service, U.S. Department of Agriculture, Room 0054, South Building, 14th and Independence Avenue, S.W., Washington, D.C. 20250.

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Selected indices of world agricultural and food production

Country	Agricultural production				Food production				Per capita			
	'78	'79	'80	'81 ¹	'78	'79	'80	'81 ¹	'78	'79	'80	'81 ¹
1969-71 = 100												
Developed	116	119	117	122	117	119	118	122	109	111	109	112
United States	118	124	118	132	119	125	119	132	112	116	110	120
Canada	119	112	118	128	122	115	121	132	110	103	107	115
Western Europe	115	118	123	120	116	118	123	120	111	114	118	115
European Community	114	118	121	120	113	117	121	120	110	113	117	116
Japan	105	104	94	97	105	104	94	96	95	94	84	85
Oceania	120	114	107	112	130	121	112	117	114	105	96	99
Repub. of S. Africa	125	123	128	140	127	124	130	143	104	99	101	109
Centrally planned	125	120	117	117	125	118	115	115	117	110	105	105
USSR	124	117	116	114	123	114	110	109	115	105	101	99
Eastern Europe	126	124	121	124	127	125	122	125	120	117	114	116
Developing	127	125	129	133	128	127	130	135	106	102	103	104
East Asia ²	140	142	144	152	142	145	146	156	119	119	118	123
Indonesia	133	137	147	150	137	140	150	155	115	116	121	123
Repub. of Korea	161	169	148	168	160	169	148	168	139	144	125	139
West Malaysia	128	148	153	154	132	171	185	192	106	137	145	147
Philippines	135	130	134	142	137	132	136	143	111	104	105	108
Thailand	160	145	161	172	172	151	168	180	140	120	131	136
South Asia	124	118	121	127	125	118	122	127	105	97	98	100
Bangladesh	115	114	125	127	116	115	129	132	94	91	99	99
India	126	117	122	127	126	117	121	127	106	97	99	101
Pakistan	113	128	128	139	123	132	134	144	97	101	99	104
West Asia	141	139	140	140	143	141	143	142	115	110	109	105
Iran	161	149	135	125	165	153	140	129	133	119	106	95
Turkey	132	132	133	136	132	133	133	138	108	107	104	105
Africa ³	111	112	115	115	112	113	116	116	90	88	87	85
Egypt	113	118	122	122	120	124	126	127	100	100	99	97
Ethiopia	72	74	75	75	66	68	70	69	53	53	53	51
Nigeria	112	115	115	115	112	113	115	115	87	85	84	81
Morocco	118	120	122	97	118	120	121	96	93	92	90	69
Latin America	132	135	140	147	134	138	143	150	110	111	112	114
Argentina	135	138	128	137	135	140	130	141	121	124	113	120
Brazil	138	145	162	172	145	151	172	176	120	123	137	137
Columbia	141	149	158	164	144	151	161	165	119	124	129	129
Mexico	129	127	136	141	132	131	140	146	101	97	101	102
Venezuela	146	158	160	162	148	161	164	167	114	120	118	117
World ³	122	121	121	124	122	121	121	124	106	103	101	102

¹Preliminary. ²Excludes Japan. ³Excludes Republic of South Africa. ⁴Excludes China, some small countries and islands.

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Note: Fiscal 1982 means October 1981 through September 1982. Tons are metric and dollars are U.S. unless specified otherwise.

Summary

1981 World Food Production: Total Rose; Per Capita Fell

World food and agricultural output (excluding China) climbed to a record during 1981, nearly 3 percent above the average of the past 3 years. However, on a per capita basis, world production fell about 1 percent from the 3-year average.

Both the developed and developing countries participated in the gain. However, the outturn in centrally planned countries remained at the 1980 level, as the third consecutive year of reduced production in the USSR offset gains in Eastern Europe.

The developing countries registered a small increase in per capita food production in 1981. Both east and south Asia had gains. Still, per capita output in south Asia has not even rebounded to previous levels. Per capita produc-

tion in west Asia was the lowest since 1974. Although total agricultural output in Africa stayed at 1980's record, per capita food production dropped nearly 2 percent—the third consecutive year of reductions.

Worldwide economic activity crept along, with real growth around 1.5 percent in 1981, below 1980's 2 percent. Growth in developed countries remained especially slow for the second consecutive year because government policies of fiscal and monetary restraint dampened investment and consumption, and high oil prices left less available income. Consequently, unemployment advanced in the developed countries, and it may go even higher. However, several developing countries—Korea, Taiwan, Hong Kong, and Singapore—experienced strong growth, as did Indonesia and the Philippines.

Since the beginning of September 1981, the U.S. dollar dropped sharply in value relative to the German mark

and the Dutch guilder, also losing ground to the Japanese yen, British pound, and the Canadian dollar. Farm prices of U.S. corn and soybeans continue to fall, reflecting record and near-record crops and weakened demand. Growing stocks, high U.S. interest rates, and sluggish global economic growth may keep 1981/82 farm prices below those of a year earlier.

U.S. agricultural exports are forecast at \$45.5 billion in fiscal 1982, up from \$43.8 billion a year earlier, with increased revenue from wheat, cotton, and livestock products.

Wheat production rose in the major exporting countries, including the United States, but fell in the importing areas, thus increasing potential trade in 1982. Conversely, major rice-importing countries, such as Indonesia and South Korea, had greater production, which will depress world rice trade.

Although foreign coarse grain production will decline slightly in 1981/82, U.S. output will push the world total to a record. Despite increased U.S. use, weak world demand will limit trade, and U.S. stocks will build.

Global oilseed production will slightly exceed the 1979/80 record, 9 percent above last year's output. Both soybean crush and meal use will rise. However, stocks may hit a record.

Total red meat production, as well as beef and veal output, will show little change in 1982. Increases in world poultry output would offset any decline in pork.

World sugar production will substantially exceed the 1977/78 record of 92.5 million tons. Stocks will rise, despite increased consumption, and prices will likely remain low for the next several months, if not for all of 1982.

Coffee production may rise to 95.6 million bags this season, up from 83.7 million the previous year. This year, the International Coffee Council established export quotas to support prices. Cocoa production is forecast at a record 1.73 million metric tons, 4 percent greater than the previous crop. Stocks will continue to increase, and buffer stock purchases under the International Cocoa Agreement may help support the price at \$1.10 per pound.

World cotton production may reach a record 71 million bales, led by a 40-percent larger U.S. crop. World use, 66.5 million bales, is forecast smaller than production. Rising stocks have depressed prices, which suggests a drop in global area next season.

Total tobacco production expanded 4 percent in 1981, with gains primarily in flue-cured and burley. Global tobacco use and trade advanced moderately, and these trends should prevail in 1982.

World Agricultural Situation

WORLD ECONOMIC CONDITIONS

Little Growth in Industrialized Countries

Worldwide economic activity progressed very slowly this year. Economic growth will probably be about 1.5 percent for 1981, below last year's 2-percent expansion. Growth in the developed nations remained especially slow for the second straight year for two principal reasons. First, governmental policies, through fiscal and monetary restraint, have dampened investment and consumption. Second, because oil prices remain high relative to prices of other commodities, a smaller share of total income is available for consumption and investment. Consequently, unemployment for the developed countries as a group is higher now than a year ago and is likely to climb further before receding.

Higher Growth in Developing Countries

Several developing countries generated strong economic activity despite the weakness of the world economy. The strongest growth occurred in the industrializing nations of east Asia—South Korea, Taiwan, Hong Kong, and Singapore. The less developed countries of the region—particularly Indonesia and the Philippines—also evidenced substantial growth. Growth in members of the Organization of Petroleum Exporting Countries (OPEC) probably exceeded 7 percent, based on the strong economic performance of Indonesia and the countries in the Middle East. In Latin America, while Mexico's growth rate registered around 8 percent in 1981, inflation continued at nearly 30 percent. Brazil's high inflation rate induced its government to impose fiscal and monetary restraint. The Brazilian economy, which usually registers robust activity, only expanded about 3 percent this year.

The Developed Economies

Earlier this year, when the U.S. economy appeared to be recovering from the 1980 recession, forecasters envisioned that growth in members of the Organization for Economic Cooperation and Development (OECD) would be about 1.25 percent in 1981. With the short-term outlook for the U.S. economy more uncertain and other major industrial economies (except Japan) showing no strong signs of expansion, growth in the OECD may fall short of this forecast.

Policies Force Interest Rates Up

In an attempt to curb inflation, virtually every industrial country has implemented some restraint in fiscal and monetary policies. Yet, political and economic factors may actually have increased rather than decreased the projected growth in official expenditures. These factors include political pressures that minimized reductions in

the growth of governmental expenditures, simultaneous increases in unemployment payments and lower tax revenues during a recession, and the provision of aid to industries hurt by low sales and import competition. Because of the governments' greater financing needs and restrictive monetary policies, demand for credit pushed up interest rates in all major markets, except Japan. Since August, interest rates in most major international financial centers have declined.

During the first half of 1981, some countries—particularly Canada, France, and West Germany—responded to rising U.S. interest rates by increasing their domestic interest rates. They did so to retard the outflow of capital and the subsequent deterioration in the value of their currency. Most European currencies have appreciated from their lows in August 1981, partly because of declining U.S. interest rates.

Exports Gain Slightly

Because of their currencies' depreciation during most of 1981, several European nations and Japan enhanced the competitive position of their exports, especially relative to U.S. exports. At the same time, import growth lessened, partly because the depreciation of their currencies made Europe and Japan's imported goods from the United States more expensive than those domestically produced. The value of France's exports rose 28 percent from August 1980 to August 1981, partly on the strength of strong demand from OPEC countries. Meanwhile, French imports increased only 16 percent. Italy's imports also grew less rapidly than its exports. Both the Japanese and West German economies continued to surge, primarily on the strength of their exports. Still, export expansion was weak in 1981 because of low growth rates in the OECD and elsewhere.

Consumption Growth Slows

The single most important factor affecting total demand in the industrial economies is personal consumption. Because such consumption was low in the major OECD nations this year, total demand was also down. In Japan and France, the volume of consumption actually declined during the 12 months ending June 1981. Japanese consumption only rose this fall, and much of the increase came from the automobile industry. Lower consumption was largely the result of higher interest rates—which increased the cost of consumer credit and provided incentives to save income—and lower growth in income.

Low Investment, Except in Japan

The poor performance in the investment sector of most economies is often described to high interest rates, but other contributing factors included high levels of unused capacity, a poor sales outlook, and falling profits in key industries—particularly in the automotive sector. During the first quarter of 1981, corporate profits in Germany dropped 15 percent, and by September, the lower profits had contributed to a 2-percent drop in industrial production from a year earlier. Investment rates for plant and equipment dropped accordingly, growing only 3.5 percent during the first half of 1981, after expanding 7 percent in the second half of 1980.

In France, lower investment had the most effect on the capital goods industries, where production was slow and inventories were high. Japan's investment, however, was strong throughout the year, especially for large companies. Japanese firms raised substantial funds in domestic and foreign capital markets, and reportedly remitted substantial funds to foreign subsidiaries.

Tight Policies, Except France

Contrary to the policies of all other major developed nations, France placed the creation of jobs above the control of inflation as its paramount economic objective. In addition to increasing public sector employment, the Mitterand government boosted minimum wages and provided social transfers in an attempt to regenerate economic activity through the injection of government expenditures. Monetary policies were more expansionary in France than elsewhere, with growth in the money supply accelerating during the summer. Because of these policies and because of the franc's depreciation, inflation in France, as measured by the consumer price index, was 16.5 percent in September, 2.5 percentage points greater than a year earlier.

Policies Help Limit Inflation

By contrast, Canada's money-supply growth through September was lower than that of the previous year. Fiscal policies in Canada were likewise nonexpansionary, as evidenced by a budget deficit (through July) that was 12-percent smaller than originally forecast. Despite these policies, large increases in housing, food, and transportation costs kept Canada's inflation rate at 12.5 percent for the 12 months ending in October.

In Japan, concern over the size of the budget deficit caused officials to restrain government expenditures, and to allow monetary policies to provide stimulus to economic activity. Nevertheless, inflation remained under 4 percent through September.

In West Germany, the virtual absence of growth in the money supply mitigated the effects of unforeseen government expenditures, resulting in a slowing of inflation to 5 percent. A reduction in the growth of the money supply in the United Kingdom helped cut inflation to an annual rate of under 10 percent during August-October, but pressure on the pound sterling has kept inflation from dropping further.

The Developing Economies

Slower Growth Overall

Economic expansion in the non-OPEC developing countries fell from roughly 5.5 percent growth in 1980 to about 4.5 percent in 1981. Many of these countries continued to feel the effects of growing trade deficits or falling surpluses caused by high import bills for oil and slumping demand for their exports in the industrialized markets. For the nations that continued to borrow capital in private markets, particularly Brazil and Mexico, debt service payments consumed larger amounts of export revenues.

For almost all countries that have few energy resources, the balance of payments suffered because of worsening current account balances and shrinking capital flows. Contrary to the grim overall outlook, inflation seems to be tempering.

Lower Trade Growth

Recession in the industrialized nations has caused trade volumes and commodity prices to be generally depressed. A recent study conducted by the secretariat of the General Agreement on Tariffs and Trade (GATT) claims that the volume of world trade in 1981 will likely be below that of 1980. Lower trade volumes and generally depressed commodity prices dampen export earnings, particularly for nations dependent upon the income from one or two principal export commodities. The combination of lower export earnings and high oil prices will likely shift a greater proportion of export revenues into the servicing of international debt and away from the importation of consumption and investment items.

The countries that fared worst are the exporters of primary products and simple manufactured items, which were more seriously affected by the recent fluctuations in international growth and trade.

Remittances—particularly from the oil-exporting countries—represent significant income flows. Heavy construction and other related economic activities, which employ most foreign workers, continued unabated in the Middle East and remittances remained buoyant throughout the year.

Highest Growth in East Asia

The growth rate of the industrialized nations of eastern Asia probably expanded over 6.5 percent, based on export advances, strong investment, and—particularly in Hong Kong and Singapore—strength in the financial and services sectors. Elsewhere in Asia—especially India, Pakistan, and Thailand—a healthy agricultural sector stimulated growth of about 4.5 percent, compared with a 7-percent expansion in 1980.

In Latin America, the continued recession in Argentina and a sluggish economy in Brazil likely lowered the region's growth rate from 5 percent in 1980 to under 3.5 percent this year. Regional growth could slow further if some of the smaller countries that are dependent upon export revenues from commodities such as tin, copper, and bananas have an especially difficult year.

Depressed commodity prices continued to limit export revenues for the low-income countries in Africa and the Middle East. Their growth in 1981 probably fell short of 3 percent.

Inflation Moderating

The current bout of inflation has persisted for several reasons in addition to the original impulse from petroleum price increases. The list of factors (one or more may apply to a particular country) includes import decontrols, expansionary monetary and credit policies, exchange-rate depreciation, supply bottlenecks, and escalating wage rates. Brazil and Argentina signal the extreme cases. Both experienced exceptionally high inflation rates because of exchange-rate depreciation and Brazil also suffered from expansionary credit policies. Inflation in Mexico resulted largely from expansionary policies and supply bottlenecks, and in Venezuela, was caused by import decontrol, expansionary policies, and rising wage rates. Yet, inflation may abate because of restrictive governmental policies and the fact that the initial inflationary impacts of petroleum price increases and import-price decontrol have worked their way through the system.

Debt Servicing Rises

In 1980, the ratio of debt service to exports of goods and services of the non-OPEC developing countries ran at about 20 percent. This year, the debt-service ratio will probably be slightly higher. The debt service ratio for some countries stood substantially higher than 20 percent in 1979, according to World Bank data. For example, Brazil's rate was 34 percent, and Mexico's was 64. The heavy borrowers of private funds tend to be the newly

industrializing countries who have rapidly boosted their imports, especially of oil, and have increased their drawings of credit to finance current account deficits.

Much of the lending of international funds to developing-country borrowers is transacted in the Euro-currency market. The interest these borrowers pay is determined by a benchmark rate in that market—the London Interbank Offer Rate (LIBOR). The percentage over LIBOR that a borrower must pay is determined by the credit rating of that borrower. Recently, LIBOR has dropped, and the cost of funds to some borrowers has correspondingly declined. For some borrowers, such as those whose export sales are extremely low, credit ratings have worsened, and the greater percentage over LIBOR that they must now pay has offset the drop in the rate.

Balance-of-Payments Pressures Mount

Low export volumes and weak commodity prices restrained foreign exchange earnings in many developing countries. Meanwhile, high oil prices and debt-service payments continue to consume foreign exchange, despite the efforts of some countries to reduce imports of other items. These balance-of-payments pressures are worsening at the same time that high interest rates are forcing up the cost of private funds and foreign aid flows are declining.

Oil exporters and middle-income developing countries seem to have adequate access to international credit markets. Yet, those countries having low per capita incomes and less access to the markets have been unable to obtain the financing necessary to sustain growth in imports to achieve their development plans. (Arthur Morey, 202 447-8470)

INPUTS AND FINANCE

Energy

Oil-Price Drift Stopped

World oil prices, which drifted down from the alltime high average of \$35.53 a barrel last February to \$33.97 a barrel by late October, have firmed up some since then. This is a result of an extraordinary meeting of OPEC oil ministers in Geneva on October 29. The ministers agreed to a new crude base price and quality differential range and froze the price for 1 year.

Specifically, the agreement sets a common base price for OPEC crude at \$34 a barrel, guaranteed until the end of 1982, and a new quality surcharge of up to \$4 a barrel. Unlike the base price, the surcharges are to be reviewed periodically because some OPEC members consider the quality margin still too wide. However, there was no decision to limit output, which is necessary if the agreement is to be effective.

Thus, after 2-1/2 years of oil-pricing confusion, Saudi Arabia has finally succeeded in imposing a unified price

through the maintenance of low prices relative to other oil producers and the feeding of the oil supply glut by high production. Up to October, the Saudis, who produce over 40 percent of OPEC oil, charged \$32 a barrel, compared with \$36 to \$41 a barrel for other OPEC members.

World crude oil production

Region	1980	1981	1982 ¹
<i>Million barrels/day</i>			
OPEC	26.9	23.3	21.8
USSR	11.7	12.2	12.2
USA	8.6	8.5	8.5
Mexico	1.9	2.3	2.5
Canada	1.4	1.3	1.3
North Sea ²	2.1	2.3	2.4
China	2.1	2.0	2.0
Other	4.7	4.9	5.3
Total	59.4	56.8	56.0

¹Forecast. ²United Kingdom, Norway, and Denmark.

The new OPEC price was brought down to \$34 to \$38 a barrel. This is the first time the organization had officially decided to lower prices. The net effect of the agreement was a marginal increase in the world average crude price to \$34.33 a barrel in December because of the Saudi upward price adjustment.

In support of the agreement, Saudi Arabia dropped its production from 9.5 to 8.5 million barrels a day to reduce the current glut on the world market. This action, however, may not result in the significantly tighter oil supplies necessary for additional price increases, because world demand for oil is again expected to decrease by 8 percent, or about the same as last year. In fact, meeting again in Abu Dhabi December 9-11, OPEC oil ministers could not agree on narrowing price quality differentials or surcharges. Instead, they announced cuts of between 20 and 70 cents a barrel in the price of heavy fuel oils. Under these conditions, the outlook for 1982 is adequate oil supplies, more manageable stocks, and probably a steady price after the initial slight increase. (Francis Urban, 202 447-8106)

Exchange Rates

Dollar Shows Signs of Weakness

Since the start of September, the U.S. dollar has dropped sharply in value relative to the German mark and Dutch guilder, also losing ground to the Japanese yen, British pound, and Canadian dollar. Although still at a much higher international appraisal than at the start of 1981, the concomitance of recession, dropping interest rates, and a worsening balance-of-payments position indicates that the foreign price of U.S. currency faces further erosion.

The most often-cited reason for the dollar depreciation has been the rapid decrease in the interest rates payable for deposits and securities bearing U.S. currency denominations. Higher rates of return had encouraged the purchase of dollars over other monies. Two likely explanations for the fall in interest rates may tend to strongly overshadow expected government demands on credit markets: lower anticipated inflation and the apparent recession. The former means greater faith is placed upon the dollar's future value, while the latter implies less borrowing. The price of credit must then fall, as it has, with the dollar following not far behind.

Foreign currency units per U.S. dollar

Month	Mark	Yen	Pound	Guilder	C. Dollar
1981					
Jan.	2.010	202.3	.4160	2.183	1.191
Feb.	2.137	205.6	.4358	2.329	1.198
Mar.	2.104	208.6	.4480	2.326	1.191
Apr.	2.163	214.0	.4594	2.400	1.191
May	2.290	220.5	.4782	2.546	1.201
June	2.378	224.2	.5073	2.642	1.204
July	2.429	232.3	.5333	2.711	1.211
Aug.	2.499	233.2	.5486	2.777	1.223
Sept.	2.349	229.2	.5503	2.604	1.201
Oct.	2.252	231.4	.5426	2.479	1.202
Nov.	2.229	223.5	.5263	2.443	1.188

Dollar Drops in Europe

In late September and early October, many currency holders suddenly moved from the U.S. dollar into German marks. Widely divergent rates of inflation in the member countries of the European Monetary System (EMS)—composed of the European Economic Community (EC) minus the United Kingdom—in addition to threatened controls in France, created great pressure for a realignment in the exchange rates of the currencies involved. The result was a sharp jump in the international purchasing power of the German mark and Dutch guilder. Freed momentarily from the weakened French franc, both increased over 10 percent relative to the U.S. dollar from the start of September to mid-November.

The widening balance-of-payments deficit should continue to adversely affect the U.S. dollar. The January-August runup in the dollar's value made U.S. goods relatively more expensive. The result is fewer such purchases and a greater net outflow of dollars. When such circumstances arise, the currency's international value must fall. And, the decline is expected to continue through at least mid-1982.

The only positive trend that could support the dollar has been the slowdown in the rate of U.S. domestic price increases. This strong and widely favored sign of stability is the most welcome indication to international markets that the dollar will retain its long-term value. Despite this; and barring further crises in Poland or the Mideast, the dollar will remain very weak. Its greatest short-term potential for improvement lies in the security it offers in times of trouble. The expectation is, then, that U.S. currency will likely fall with the economy over the next 6 to 8 months. (David Stallings, 202 447-8457)

Agricultural Commodity Prices

Following lower grain production and higher prices in 1980/81, U.S. crops were record large, pushing 1981/82 farm prices below last year. Low prices and an ample supply marks the current coarse grain situation, in contrast to a near balance in world wheat supply and use and firmer international wheat prices. Increases in the value of the dollar relative to other currencies hurt U.S. soybean export competitiveness by increasing prices in foreign currencies. A decrease in ocean freight rates marginally offset the effects of foreign exchange rate movements.

Record Crops Decrease U.S. Farm Prices

Under pressure from large supplies, U.S. farm prices for new-crop wheat, corn, and soybeans dropped over the past several months, settling at the lowest level since second-quarter 1980. The price-depressing effects of record U.S. wheat and feed grain crops and the second highest outturn of soybeans, combined with high U.S. interest rates and slow economic growth both here and abroad, should force 1981/82 farm prices for these commodities below those of a year earlier. However, barring any major developments in the 1982 winter crop prospects that might affect this year's prices, current farm prices may be at or near seasonal lows.

1980/81 farm prices for corn, soybeans, and wheat are \$122, \$280, and \$145 a metric ton, respectively. Forecast 1981/82 prices for corn are \$96 to \$106 and for soybeans, \$211 to \$248. Domestic considerations—most notably larger-than-expected wheat feeding during June-September—and foreign developments that boosted the U.S. wheat export estimate are factors putting upward pressure on prices. However, the December forecast for the 1981/82 wheat farm price declined slightly to \$136-\$141 in response to favorable growing conditions for the winter wheat crop.

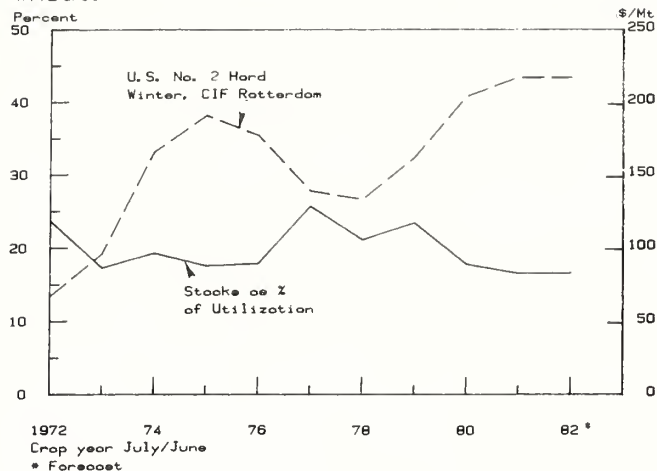
Export Prices Down for Wheat, Corn, and Soybeans

U.S. and foreign export prices generally follow changes in U.S. farm prices, with time lags of days to 1 or 2 months. Since U.S. farm prices are forecast to be lower this year, 1981/82 international export prices should also drop from last season.

Wheat prices of the major producer-exporters—the United States, Canada, Australia, the EC, and Argentina—are lower than a year earlier. Excluding the EC, prices of the major exporters averaged \$169 to \$190 since September, a small range by historical standards. Price differentials can be explained in terms of government policy, production and transportation costs, seasonality, and the different types of wheat exported.

Record-large global wheat production and supplies are responsible for depressed prices in 1981/82. However, prices have seen some strengthening in recent months,

Wheat: World Stocks and Price Levels



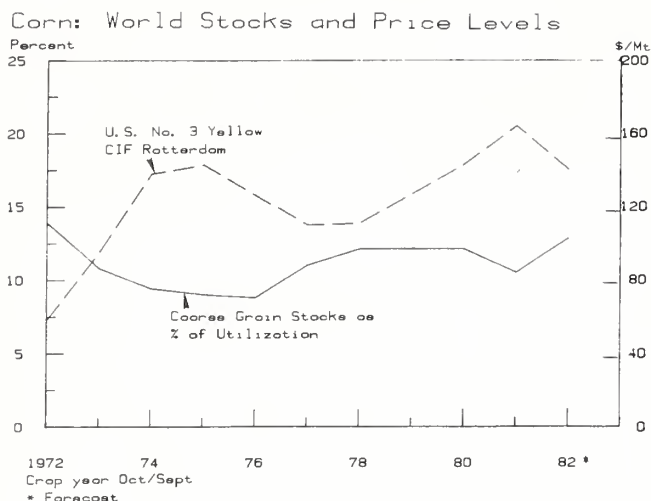
because of reduced production prospects in Argentina and much improved trade prospects for 1981/82. Key factors behind the increased trade are projected record Soviet wheat imports, continued high Chinese imports, India's first significant wheat purchases since 1977, and the Turkish turnaround from wheat exports to imports.

Global soybean and soybean meal production was lower in 1980/81 than the previous year, causing U.S. and foreign prices for both to increase. Soybean oil supplies, however, continued to exceed requirements, and stocks increased slightly, pushing prices down. These price relationships narrowed crushing margins, causing foreign crushers to reduce soybean imports.

International commodity prices

Year	Wheat				Corn		Soybeans	Soyoil		Soymeal 44%	
	U.S. No. 2 ¹	Argen- tina ²	Canada No. 1 ³	Australia ⁴	U.S. No. 2 yellow ⁵	Argen- tina ²	U.S. No. 2 yellow ⁵	Decatur	Dutch ⁶	Decatur	Hamburg ⁶
Dollars per metric ton											
1975	149	147	181	167	122	126	210	559	563	141	162
1976	134	128	149	147	115	114	223	414	438	179	203
1977	105	100	116	113	98	93	271	524	579	212	240
1978	131	126	134	119	105	102	259	565	607	189	226
1979	162	159	171	142	118	117	269	610	662	160	254
1980	176	203	192	175	129	159	272	522	598	217	271
Jan.	179	191	192	169	112	139	248	520	609	200	265
Feb.	176	208	191	173	117	145	250	521	610	192	254
Mar.	168	213	175	166	114	151	240	479	580	180	242
Apr.	158	209	164	160	111	160	227	445	552	174	242
May	164	199	174	168	113	145	234	457	562	183	248
June	159	192	173	166	115	147	233	475	570	178	238
July	170	189	186	173	133	156	264	575	632	210	255
Aug.	175	196	192	173	145	164	294	571	636	228	265
Sept.	182	197	197	180	145	172	313	573	615	259	299
Oct.	192	214	213	189	145	176	312	540	597	268	324
Nov.	199	219	225	192	149	180	342	579	639	287	355
Dec.	188	209	219	189	151	176	302	523	574	246	265
1981											
Jan.	191	212	221	189	155	169	299	494	545	242	304
Feb.	184	211	213	185	145	153	204	475	516	233	286
Mar.	176	210	202	179	144	142	284	507	535	229	284
Apr.	181	194	198	180	146	136	297	511	531	244	294
May	175	189	197	174	143	137	291	466	511	244	284
June	170	180	189	168	139	132	273	469	512	221	265
July	170	177	186	168	141	138	281	500	529	226	260
Aug.	172	179	182	167	133	136	266	452	506	221	252
Sept.	173	179	182	170	122	129	258	420	485	209	257
Oct.	170	182	182	169	117	134	248	426	486	199	248
Nov.	180	184	190	167	119	139	243	436	466	198	243

¹ Hard winter ordinary protein, f.o.b. Gulf ports. ² F.o.b. Buenos Aires. ³ Western red spring 13.5% protein, in store Thunder Bay. ⁴ July-June crop year, standard white, f.o.b. selling price. ⁵ F.o.b. Gulf ports. ⁶ F.o.b. ex-mill.



The higher value of the U.S. dollar in 1981 drove the cost of U.S. soybean products in foreign currencies to record levels. U.S. exports became less competitive, as evidenced by the substantial increase in foreign shares of soybean, soybean meal, and soybean oil shipments in 1980/81, further decreasing U.S. export prices.

Forecasts for U.S. corn exports and domestic use have dropped, thus increasing the 1981/82 feed grain carryover to 55 million tons. Because use is expected to fall considerably short of production, corn prices at Gulf ports declined to 2-1/2-year lows in the fourth quarter of 1981.

Coarse Grain Prices To Fall In 1981/82

The Netherlands port of Rotterdam, a world grain-pricing center, was the fifth largest U.S. agricultural export market in fiscal 1981. From October 1980 to September 1981, U.S., c.i.f. Rotterdam prices dropped 22 percent for soybeans, 17 percent for corn, and 11 percent for wheat, closely following changes in U.S. farm prices. However, the 31-percent rise in the value of the dollar relative to the Dutch guilder in 1980/81 increased the guilder cost of U.S. imports, despite the drops in U.S. farm prices. Thus, in guilders, wheat, corn, and soybean import prices rose 15 percent, 8 percent, and 12 percent, respectively, in fiscal 1981.

World grain stocks as a percent of use are a good barometer of Rotterdam price movements. An upward movement—signifying an increase in the world's reserve capacity—puts downward pressure on world prices. Ending stocks as a percent of use for coarse grains in September 1982 are forecast to increase, indicating Rotterdam prices will likely be lower. Rotterdam wheat prices might be unchanged from last year, because the 1981/82 wheat stocks-to-use ratio is expected to remain the same as last year.

U.S. Import Prices Mixed

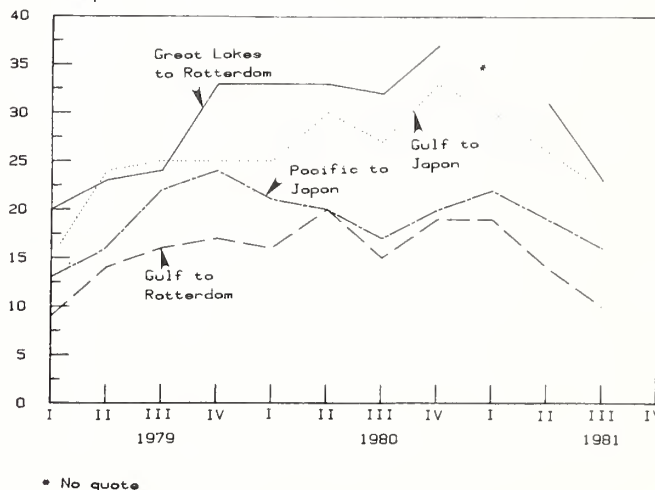
The value of U.S. agricultural imports changed little in fiscal year 1981 and is forecast to fall slightly in 1982. Sugar prices, 14 percent of the value of U.S. agricultural imports, dropped considerably from last year, despite attempts by the International Sugar Organization to bolster them by reducing global export quotas. The New York spot price decreased to 16 cents a pound in December 1981, compared with 32 cents in December 1980.

Coffee prices skyrocketed in recent months after the agreements to reduce export quotas was reached by the International Coffee Organization. November was the first month in more than a year that the average New York spot price was above a year earlier. After reaching a 5-year low in June, cocoa bean prices (the average of the daily closing prices of the 3 nearest active futures-trading months in the New York market) reversed a recent bearish trend, following implementation of the International Cocoa Agreement in August.

Surplus Capacity Depresses Freight Rates

Ocean freight rates from the United States to the Netherlands and Japan weakened considerably in the third quarter and early part of the fourth quarter of 1981. Following high rates and booming trade in 1980, shipowners rushed to order new bulk carriers in anticipation of record trade. The optimism was short-lived. Stagnant global economic growth in 1981 reduced trade at a time when new ships were ready to be loaded. Thus, recent ocean freight rates to the Netherlands and Japan were the lowest since early 1979. Rates are not expected to recover in 1982 unless trade expands dramatically. (Bradley Karmen, 202 447-9160)

Ocean Freight Rates from U.S. Ports to the Netherlands and Japan
Dollars per metric ton



U.S. AGRICULTURAL TRADE

Export Volume Gains in Fiscal 1982

A thirteenth consecutive record year for U.S. agricultural exports is forecast for fiscal 1982. The expansion will likely hinge on a projected 14-million-ton increase in grain and oilseed shipments and a moderation in price declines over the course of the year. Grain and oilseed exports, amounting to over 147 million tons, may help ease the downward pressure on prices. Sluggish world economies and large crops have had adverse effects on prices since mid-1981.

Wheat Exports Maintain Record Pace

An increase in world demand, a bumper U.S. crop, and a disappointing Argentine harvest are some factors expected to put U.S. wheat and flour exports over 50 million tons in fiscal 1982—a third straight record year. India has purchased 1.6 million tons of U.S. wheat, the first significant shipments in 5 years. Exports to China are projected to remain near 8 million tons. Poor harvests in the Soviet Union and Eastern Europe will likely generate significant increases to these areas. Other markets that will show gains over last year include sub-Saharan Africa, the Mideast, and Southeast and east Asia.

Feed Grain Shipments Recover

U.S. exports of feed grains in fiscal 1982 are expected to be up slightly from last year's reduced level. After averaging 6.8 million tons a month during October-December 1980, monthly feed grain shipments fell precipitously and averaged only 4.7 million tons during July-September 1981. Barley and sorghum exports were

strong in the last 3 months of the fiscal year, but corn exports were down sharply. A record 1981 U.S. corn crop is expected to result in more stable purchasing patterns through the year, with feed grain exports now forecast to reach nearly 70 million tons. Volume and price forecasts, however, still depend on the 1982 Argentine and South African harvests and other foreign supply/use developments.

Soy Products To Regain Market Share

U.S. soybean exports, unfettered by serious competition from Brazil (which was not the case early in 1980/81), have rebounded sharply. Shipments to date are ahead of the record pace set in 1979/80 and are expected to reach 22.9 million tons this fiscal year. Increases are likely in Western Europe, while the USSR, Eastern Europe, and Japan will also take more U.S. beans. Many of the major U.S. markets, particularly Western Europe, will emphasize soybean imports over meal in fiscal 1982. Soy-oil stocks outside the United States are reduced from last year's high levels, benefiting not only soyoil but also soybean exports.

Rice Demand Weakens

The world rice supply situation has improved considerably over 1980/81, resulting in a projected 7 percent decline in U.S. rice exports. Reduced shipments to South Korea explain nearly all of the drop, because projected shipments to the Mideast are up substantially from last year. The Mideast and sub-Saharan Africa should continue to be major growth markets in the near term.

Cotton Exports Growing

World textile demand was adversely affected by the world economic downturn over the past year. This factor

U.S. agricultural exports, by fiscal year¹

Commodity	1979	1980	1981	1982 ²
<i>Million metric tons</i>				
Wheat	31.3	36.1	42.2	50.0
Wheat flour	.9	.9	.9	1.0
Feed grains	59.4	71.2	69.1	72.2
Rice	2.4	3.0	3.2	2.6
Other grain products	1.0	1.1	1.2	1.3
Feeds and fodders	4.3	6.2	5.8	5.8
Soybeans	20.2	23.8	20.0	22.6
Soybean meal	6.0	7.2	6.1	6.5
Other oilcake and meal	.3	.4	.5	.5
Soybean oil	1.1	1.2	.7	1.0
Other vegetable oils	.5	.6	.8	.9
Sunflower seed	1.3	1.9	1.4	1.4
Cotton, including linters	1.4	2.0	1.3	1.6
Tobacco	.3	.3	.3	.3
Fruits, vegetables, & nuts	2.8	3.0	3.3	3.6
Beef, pork, & variety meats	.3	.3	.4	.4
Poultry meat	.2	.3	.4	.4
Animal fats	1.3	1.5	1.5	1.5
Other	2.4	2.9	3.5	4.0
Total	137.4	163.9	162.6	177.6

¹Actual export tonnages. Excludes animal numbers and some commodities reported in cases, pieces, dozens, liquid measures, etc.

²Forecast.

U.S. agricultural exports, by fiscal year

Commodity	1979	1980	1981	1982 ¹
<i>Billion dollars</i>				
Grains and feed	13.4	18.5	21.9	22.3
Wheat	4.6	6.3	7.7	8.9
Wheat flour	.2	.2	.3	.3
Rice	.9	1.2	1.5	1.1
Feed grains	6.7	9.1	10.4	10.2
Oilseeds and products	8.7	10.0	9.4	9.4
Soybean cake and meal	1.4	1.6	1.6	1.5
Soybeans	5.4	6.2	6.0	5.8
Soybean oil	.7	.8	.5	.6
Livestock products	3.2	3.1	3.1	3.6
Dairy products	.1	.2	.3	.4
Poultry products	.4	.5	.8	.8
Cotton, including linters	1.9	3.0	2.2	2.6
Tobacco	1.3	1.4	1.3	1.5
Seeds	.2	.3	.3	.3
Fruits, vegetables, & nuts	2.1	2.7	3.1	3.3
Sugar and tropical products	.7	.8	1.4	1.3
Total	32.0	40.5	43.8	45.5

¹Forecast.

plus a reduced harvest in 1980 cut U.S. exports by nearly 40 percent in fiscal 1981. Larger U.S. supplies, more competitive U.S. prices, and a slight increase in foreign imports are expected to result in a 25-percent increase in U.S. cotton exports during fiscal 1982. The rate of recovery of the world textile economy and the strength of the U.S. dollar will be major factors affecting exports.

U.S. Exports to LDC's Increase

While U.S. exports to developed countries have stagnated and shipments to centrally planned economies

hinge on Soviet and Chinese grain agreements, exports to less developed countries (LDC's) have grown at a 22-percent annual rate over the last 4 years. Some of these countries are among the largest U.S. markets—Mexico, South Korea, Taiwan, Egypt, and Venezuela. In addition, markets such as the Caribbean, the Mideast, and Southeast and east Asia have displayed consistent, but also diversified, demand for U.S. products. LDC's account for three-fourths of U.S. vegetable oil exports, two-thirds of poultry meat shipments, three-fifths of the food grains, over two-fifths of the cotton, and a third of the fruits and vegetables. (Steve Milmo, 202 447-9160)

WORLD COMMODITY DEVELOPMENTS

Food Grains

The world wheat and rice trade situations are expected to diverge in 1981/82, despite record world production forecast for both grains. Production gains for wheat are concentrated in the major exporting countries, with declines in many importing countries. This will necessitate record wheat imports to maintain consumption. In contrast, rice production gains are evident in the major importers, making a contraction in world trade likely in 1982.

Wheat Production Rising

Wheat production in major exporting countries is expected to rise 18 million tons, with over half of the increase in the United States. Production increases of 42 percent and 28 percent are expected in Australia and Canada. Poor weather is responsible for lower crops in Argentina and the EC.

In the importing countries, however, wheat production has fallen, especially in the USSR, Eastern Europe, and non-EC Western Europe. The Soviet wheat crop is

Wheat: World production, consumption, and net exports¹

Region	1979/80			1980/81			1981/82 ¹		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million metric tons</i>									
Major exporters									
United States	58.1	21.3	37.1	64.5	21.1	41.9	74.8	25.4	51.7
Canada	17.2	5.5	15.0	19.2	5.3	17.0	24.5	5.2	17.5
Australia	16.2	3.3	15.0	10.9	3.4	10.2	15.5	3.4	11.5
EC-10	48.8	43.3	5.2	55.0	43.8	9.4	53.1	44.9	8.9
Argentina	8.1	4.0	4.8	7.8	3.9	3.9	7.5	4.0	3.8
Turkey	13.0	12.3	.4	13.0	12.9	.5	13.2	13.4	-.1
Major importers									
USSR	90.2	115.8	-11.6	98.2	115.7	-15.5	88.0	106.2	-18.2
China	62.7	71.6	-8.9	54.2	67.9	-13.8	57.5	71.0	-13.5
East Europe	27.6	32.2	-5.0	34.5	38.1	-3.3	31.1	36.0	-4.6
Other W. Europe	6.9	8.7	-1.4	9.5	9.2	.2	6.4	8.7	-1.1
Brazil	2.9	7.1	-4.0	2.7	6.7	-4.3	1.8	6.4	-4.6
Mexico	2.3	3.4	-1.0	2.7	3.5	-1.2	3.0	3.8	-.9
Other Latin Am.	1.8	7.4	-6.1	1.6	7.6	-5.7	1.4	7.8	-6.3
Japan	.5	6.1	-5.5	.6	6.1	-5.7	.6	6.1	-5.5
India	35.5	36.0	-.3	33.9	33.9	.4	36.5	37.5	-3.0
South Korea	0	1.8	-1.8	.1	2.1	-2.0	.1	2.1	-2.1
Indonesia	0	1.2	-1.3	0	1.3	-1.5	0	1.4	-1.6
Other Asia	13.9	22.0	-7.8	14.9	20.9	-6.2	16.1	22.2	-6.3
Egypt	1.9	7.2	-5.2	1.8	7.5	-5.6	1.9	8.0	-6.1
Morocco	1.8	3.4	-1.6	1.8	3.6	-2.1	.9	3.5	-2.4
Other N. Africa/ Mideast	9.7	19.9	-10.6	11.4	21.0	-10.1	11.9	22.0	-10.5
Other Africa	2.9	6.0	-3.1	2.3	6.3	-3.7	2.7	6.6	-4.0
Rest of world/residual	.3	4.4	-2.9	.2	1.7	-2.0	.3	3.6	-2.6
World total	422.3	443.9		438.7	443.5		448.8	449.2	

¹Trade on July-June years. ²Forecast.

currently estimated at 88 million tons, the lowest since the 1975/76 harvest. Soviet food consumption of wheat is expected to remain at last year's level, but feed use may fall. China's wheat crop is forecast up 3 million tons over last year, but higher consumption will necessitate continued large imports. Total world wheat use may rise slightly above the level of the past 2 years.

Wheat trade is forecast at 102 million tons (July-June), a 9-percent expansion over last year. The USSR and China will be the leading importers, at 19 and 13.5 million tons, respectively, accounting for 32 percent of total trade. Exports should be up in Canada and Australia, which had excellent crops, but they may be at last year's level in Argentina, where extensive drought kept production down.

World wheat stocks may be reduced slightly. U.S. free stocks (outside of the reserve) are expected to be quite low, especially for hard winter wheat. Soviet stocks will probably remain low, as production and imports are consumed. Stocks in the rest of the world will probably rise slightly.

Rice Production Up

Rice production is estimated at 276 million tons (milled basis) in 1981/82, a 10-million-ton increase over last year. One half of the larger production will be in China, Indonesia, and the United States. However, China's rice output is projected at 98 million tons, about the same as the 1979/80 record and 3 million tons higher than last year. Rice acreage in China has dropped in each of the last 5 years. The favorable outlook is due to

generally good weather, despite flooding in Sichuan. Indonesia's rice production is expected to rise almost 2 million tons to a record 22.2 million.

Most major rice producers, except India, will have increased production in 1981/82. Burma, Pakistan, and Thailand are also experiencing higher output. Output in South Korea will rebound from the poor 1980/81 crop to 5.1 million tons, still, however, below 1978/79 and 1979/80. Rice production in India may decline by 1 million tons.

Rice consumption is expected to rise 3 percent, slightly higher than the increase in world population. Stocks may rise to almost 26 million tons, equal to 9 percent of consumption. Increased stocks in the major importing countries, Indonesia and South Korea, will depress world trade.

Rice Trade To Fall

World rice trade may slide sharply in calendar 1982, to 11.9 million tons from an expected 13 million in 1981. Rice exports in 1982 may be the lowest since 1979, as both Indonesia and South Korea trim imports below previous levels. Indonesia, which imported between 1.8 and 2.0 million tons a year during 1977-80, took only 0.5 million tons in 1981. In 1982, imports are forecast at less than 0.8 million tons. South Korean purchases, which jumped from zero in 1978 to 2.2 million tons in 1981, are not expected to exceed 0.5 million in 1982.

The reduction in the Korean market will depress U.S. rice exports from a peak of 3 million in 1980 to a projected 2.7 million in 1982. Most other rice exporters will also

Rice: World production, consumption, and net exports¹

Region	1979/80			1980/81			1981/82 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million metric tons, milled</i>									
Major exporters									
United States	4.3	1.8	3.0	4.8	2.1	3.0	6.0	2.0	2.7
Thailand	10.4	8.5	2.7	12.2	8.8	3.1	12.9	8.8	3.0
Pakistan	3.2	2.2	1.0	3.1	1.9	1.2	3.4	2.2	1.0
China	97.8	96.8	1.0	94.7	94.2	.5	97.9	97.2	.7
India	42.3	45.9	.4	53.2	52.8	.9	52.0	52.0	.6
Burma	5.9	4.9	.7	7.5	6.3	.8	8.1	7.1	.7
Japan	10.9	10.1	.6	8.9	10.1	.8	9.4	10.2	.3
Italy	.8	.3	.5	.7	.3	.1	.6	.4	.3
Australia	.4	.1	.3	.5	.1	.4	.6	.1	.4
Major importers									
Indonesia	17.9	20.1	-2.1	20.2	21.4	-.5	22.2	22.0	-.8
South Korea	5.0	5.7	-.8	4.2	5.6	-2.2	5.1	5.8	-.5
Bangladesh	12.7	13.3	-.2	14.3	14.1	-.1	13.5	14.0	-.1
Vietnam	7.0	7.2	-.2	6.5	6.7	-.2	7.2	7.3	-.2
Other Asia	15.2	15.6	-.3	15.4	15.9	-.8	16.3	16.6	-.4
USSR	1.6	2.2	-.6	1.8	2.7	-1.0	1.6	2.3	-.7
Brazil	6.6	6.2	-.1	6.2	6.7	-.1	6.8	6.8	-.1
Other Latin Am.	4.3	4.3	-.2	4.2	4.4	0	4.7	4.8	-.1
Iran	.8	1.2	-.5	.8	1.4	-.6	.8	1.4	-.6
Other N. Africa/ Mideast	2.1	3.4	-1.4	1.9	3.5	-1.6	1.9	3.6	-1.8
Malagasy	1.4	1.6	-.2	1.6	1.8	-.2	1.6	1.8	-.2
Nigeria	.6	1.2	-.4	.7	1.2	-.6	.8	1.4	-.6
Other Africa	1.7	3.1	-1.4	1.6	3.1	-1.6	1.8	3.3	-1.7
Rest of world/residual	.5	1.6	-1.8	.7	.9	-1.3	.3	2.9	-2.0
World total	253.4	257.3		265.7	266.0		275.5	274.0	

¹Trade on calendar years; calendar 1982 corresponds to 1981/82. ²Forecast.

face shrinking shipments. However, the EC, USSR, Nigeria, and Iran will remain as large rice markets, while Egypt will cease to export rice and may also become an importer. (Eileen M. Manfredi, 202 447-7643)

Coarse Grains

World coarse grain supplies are expected to be record large in 1981/82. Weak demand will limit gains in use and trade, despite abundant exportable supplies at lower prices. A substantial stock buildup is forecast and will likely occur, largely in the United States.

Record World Harvest in Prospect

Foreign production is estimated down slightly in 1981/82, while U.S. output rose 24 percent. Foreign area was unchanged, as weather-related declines in the USSR and North Africa were offset by gains in Canada, Brazil, Australia, and other regions. Yields abroad slipped from 1980/81's near-record and were lower in many areas.

The Northern Hemisphere's crop, now mostly harvested, totaled slightly below 1980/81's. Harvested area in the USSR was the smallest since 1973, and output is estimated 5 percent below 1980's poor crop. In China, area continues to decline, and production fell slightly. The Western European harvest was well below the 1980 record, mainly because of drought in Spain. Gains in

Canada, Mexico, Eastern Europe, and other regions offset these reductions. Canadian area rose 15 percent, and good weather boosted yields. Eastern European area and output recovered from 1980's levels.

The Southern Hemisphere harvest is forecast to decline. In Argentina and South Africa, output may drop a fifth from 1980/81's record harvest, because last year's exceptionally good weather is not being repeated. Recovery is anticipated for the Australian crop. The Brazilian Government is providing strong incentives for corn production. Coarse grain area is estimated up 6 percent, and continued good yields are forecast. Production may decline in Zimbabwe, but harvests are expected to recover in most other East and southern African countries.

Weak Demand Foreseen

Most of the gain in use is likely to occur in the United States during 1981/82. A 6-percent recovery is anticipated in this country, mostly because of expanding nonfeed use and increased broiler production.

Little gain in foreign consumption is forecast. The worldwide economic slowdown is restraining demand for livestock products, and producers in some areas are facing a price squeeze. The lower feed prices resulting from abundant U.S. grain and oilseed crops are not being fully reflected abroad because of trade barriers and the higher value of the U.S. dollar. In the centrally planned countries, which account for over a third of global use, limited availability of coarse grains may prevent an increase

Coarse grains: World production, consumption, and net exports¹

Country	1979/80			1980/81			1981/82 ²		
	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports	Prod.	Cons.	Net exports
<i>Million metric tons</i>									
Major exporters									
United States	238.8	161.4	71.4	198.7	147.3	72.1	246.1	156.0	69.0
Canada	18.6	18.5	3.8	21.8	17.9	3.3	25.7	17.8	5.0
Australia	6.2	3.0	4.1	5.1	3.0	2.2	6.7	3.1	3.1
Argentina	10.6	5.7	6.6	21.1	6.4	9.9	17.2	6.7	13.5
Thailand	3.6	1.1	2.3	3.6	1.2	2.2	4.2	1.5	2.5
South Africa	11.7	7.3	2.9	14.9	7.9	3.6	12.2	8.0	4.9
Major importers									
USSR	81.2	101.6	-18.4	80.5	98.5	-18.5	77.5	100.0	-23.0
China	83.0	85.0	-2.0	82.5	83.3	-.8	82.0	83.0	-1.0
Eastern Europe	63.3	72.4	-9.6	61.6	71.9	-9.0	62.6	71.1	-8.3
EC-10	69.1	79.1	-8.4	69.9	77.3	-6.2	68.9	76.5	-6.5
Other W. Europe	21.9	32.0	-9.3	24.9	32.6	-7.5	20.8	33.7	-12.0
Brazil	20.6	21.7	-1.7	23.0	23.6	-2.1	24.5	24.5	-.0
Mexico	11.6	17.6	-5.0	14.7	18.6	-8.1	15.1	20.0	-4.0
Venezuela	1.2	2.4	-1.3	1.2	2.7	-1.5	.5	2.6	-1.9
Other Latin Am.	7.7	9.2	-2.0	7.6	9.9	-2.2	7.4	10.0	-2.0
Japan	.4	19.2	-18.9	.4	19.2	-18.9	.4	19.2	-18.8
Taiwan	.1	3.5	-3.3	.1	3.7	-3.6	.1	3.8	-3.8
South Korea	1.7	4.0	-2.5	1.0	4.1	-2.6	.9	3.8	-2.8
Other Asia	40.7	43.4	-1.5	41.9	43.6	-1.8	42.8	45.8	-1.4
Egypt	3.7	4.5	-.7	4.0	4.9	-1.3	3.5	4.7	-1.5
Iran	1.1	2.0	-.9	1.1	2.3	-1.2	1.2	2.3	-1.3
Israel	-	1.2	-1.3	-	1.2	-1.0	-	1.1	-1.1
Other N. Africa/ Mideast	15.0	17.4	-2.8	17.0	19.3	-2.8	16.2	19.3	-3.1
Other Africa	28.0	30.0	-1.5	29.4	30.6	-2.3	30.0	31.5	-1.5
Rest of World/Residual	.5	-1.9	0	.6	8.1	2.4	1.0	1.4	4.0
World total	740.3	741.3		726.6	739.1		767.0	747.4	

- = negligible. ¹Production and consumption on marketing year basis, trade on July-June year. ²Forecast.

in consumption. Foreign feed use may rise 4 percent over 1980/81's reduced level. In several areas, coarse grains will replace some wheat in livestock feed. Feed use of all grains is forecast up less than 2 percent.

In the EC, no increase in coarse grain use is anticipated, and feed use could decline slightly. Some additional gain is projected for grain substitutes, such as corn gluten feed, citrus pellets, and cassava, in animal feeds. Higher grain prices relative to those for protein meal are likely in the EC. Price relationships also increasingly favor feeding domestic wheat and barley rather than imported corn.

A 3-percent increase in coarse grain use is expected in non-EC Western Europe, mostly for Spain's expanding pork and poultry industries. Japan's livestock sector may recover later in 1981/82, and feed prices will likely be favorable. Little or no increase in use is forecast, with any gain limited by the introduction of rice in formula feeds. In the USSR, a small recovery in total disappearance is projected. Dockage and waste will be well below 1980/81, providing more grain for animal feeds. Chinese consumption may decline because of reduced supplies.

In the developing countries, three-fifths of consumption is nonfeed, and a growth of less than 2 percent is expected for these uses. Feed use is forecast up 5 to 6 percent, following a 10-percent rise last year. In Brazil, feed use may increase 5 percent to over 20 million tons, with most of the gain meeting the needs of the poultry export industry. Mexican feed use may again increase a tenth because of expanding poultry production. Strong gains are also forecast in Syria, Thailand, Egypt, and Saudi Arabia. South Korean use will recover, as livestock production rebounds. In Taiwan, Venezuela, and other South American countries, rates of increase will slow because of sluggish economic conditions.

Soviets Boost World Trade

World trade is expected to increase 2 to 3 percent in 1981/82. USSR imports are forecast to rise 5 million tons to 23 million. Imports to non-EC Western Europe will increase sharply because of the poor crop and expanding use. Eastern European purchases will drop sharply because of foreign exchange and financing constraints. EC imports likely will continue to decline, and no increase is expected for Japanese imports.

Imports of the developing countries are forecast down 5 million tons, 16 percent. Mexican imports will drop sharply because of better crops and large stocks. Because of foreign exchange constraints, Brazil may import less than 100,000 tons, down from 2.1 million in 1980/81, and the economic slowdown will reduce imports of several other Latin American countries. Because of better crops, imports by sub-Saharan Africa will decline. Continued increases are forecast for North Africa and Asia.

Exportable supplies of coarse grains will be sharply higher in 1981/82. The U.S. share of world exports may decline from the previous years' high levels. (Sally Breedlove Byrne, 202 447-7643)

Oilseeds

A favorable U.S. oilseed harvest, combined with a 3-percent rise in the Southern Hemisphere's soybean production (mostly in Argentina) will lead to record world oilseed output for 1981/82. Also, Indian and Chinese crops are expected to gain greatly. World soybean imports may rise sharply above 1980/81. Global soybean meal exports may decline slightly, largely because of reduced Brazilian availabilities.

World Production To Hit Record

World oilseed production in 1981/82 is expected to slightly exceed the 1979/80 record and rise 9 percent above the 1980/81 output. U.S. oilseed crops are forecast up 18.6 percent, primarily because of increased cottonseed and soybean output. The U.S. peanut crop is expected to return to the 1979/80 level because of favorable yields. The United States accounts for most of the increase in world production.

In the Southern Hemisphere, planting of soybeans is currently underway. Brazil's acreage has declined slightly from 1980/81, shifting into corn in Rio Grande do Sul and Parana. Brazil's soybean planting was progressing under favorable weather conditions. However, in Argentina, corn planting declined due to dry weather. Consequently, acreage planted to soybeans is expected to expand. Currently, the Argentine soybean estimate is 4.3 million tons for 1981/82, up approximately 22 percent. In Paraguay, no increase in area is expected because producers face more expensive financing. Higher yields may raise Paraguayan production in 1981/82 compared with 1080/81.

Use Expected To Increase

Soybean meal use is forecast to expand 4.2 percent in 1981/82. Most of the increased use is in the EC, the USSR, and the United States. Despite these increases, supplies will be abundant.

High interest rates, slow livestock expansion, and poor crushing margins were among the difficult economic conditions that limited use in the EC last year. Because of

World protein meals and fats and oils

Item	1978/79	1979/80	1980/81 ¹	1981/82 ²
<i>Million metric tons</i>				
Protein meals ³				
Production	83.4	95.8	85.6	93.8
Stocks, change				
in soybean meal	+1	+6.5	-1.4	+2.4
Consumption	83.5	89.3	87.0	91.4
Fats and oils				
Production				
Total fats & oils	54.8	58.9	56.7	59.4
Edible vegetable	37.3	41.1	39.3	42.0
Stocks, change				
in U.S. soybean oil	+1	+1.1	+1	+1.4
Consumption ⁴	54.7	57.8	56.6	59.0

¹Preliminary. ²Forecast. ³44% protein meal equivalent. ⁴Apparent consumption calculated from stock change.

Prices of oilseeds, meals, and oils, c.i.f. European ports

Commodity	Jan.	Feb.	Mar.	Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Av.
<i>Dollars per metric ton</i>													
Soybeans													
Rotterdam													
1978	239	239	273	290	290	278	266	262	264	271	270	278	268
1979	284	298	310	300	300	322	322	302	292	283	281	279	298
1980	268	271	264	252	260	262	303	309	335	340	367	324	296
1981	323	306	305	316	306	291	294	283	264	260	264	260	
Soybean Meal													
Rotterdam													
1978	200	188	215	224	221	208	207	202	208	223	227	227	213
1979	235	238	241	238	240	261	246	236	238	238	251	268	244
1980	244	238	225	218	224	218	243	260	292	310	336	295	259
1981	287	270	265	273	267	248	247	243	235	231	235	231	
Soybean oil ¹													
Decatur													
1978	460	477	587	600	631	592	569	575	607	593	547	570	567
1979	566	610	614	590	581	609	644	634	659	603	608	576	608
1980	520	512	478	440	445	475	575	571	573	540	579	523	519
1981	494	475	507	511	466	469	500	452	420	426	420	426	
Copra													
N.W. Europe													
1978	380	397	435	405	417	459	452	456	525	552	574	595	470
1979	670	691	690	728	724	725	735	690	613	601	610	595	673
1980	587	565	520	440	400	430	455	435	403	365	414	422	453
1981	433	411	392	385	389	382	367	363	350	360	350	360	
Coconut meal													
Hamburg													
1978	170	162	163	166	167	169	173	176	179	186	191	198	175
1979	202	202	205	209	211	218	219	214	222	223	221	223	214
1980	224	226	214	207	210	202	205	208	217	218	224	217	214
1981	220	210	198	194	190	181	180	182	184	189			
Coconut oil													
Rotterdam													
1978	541	561	650	600	596	646	644	657	778	805	835	886	683
1979	966	981	986	1,062	1,056	1,062	1,095	1,002	905	907	907	885	984
1980	885	840	760	660	618	630	648	620	590	580	650	610	674
1981	614	603	574	552	563	570	585	565	535	564			
Peanuts													
N.W. Europe													
1978	562	558	557	635	660	667	634	615	638	654	645	628	621
1979	636	621	605	628	597	540	580	560	535	520	472	480	565
1980	480	500	485	461	442	440	470	507	NQ	NQ	NQ	620	489
1981	627	650	NQ	750	750	715	700	690	690	475			
Peanut oil													
Rotterdam													
1978	956	910	1,020	1,127	1,128	1,106	1,042	1,044	1,210	1,194	1,191	1,022	1,079
1979	976	969	972	970	925	893	913	867	872	812	775	720	889
1980	744	778	720	708	733	713	860	914	928	934	1,093	1,180	859
1981	1,100	1,100	1,115	1,105	1,185	1,185	1,160	1,160	1,005	863			
Rapeseed													
N.W. Europe													
1978	294	298	319	330	NQ	321	287	258	274	286	297	299	297
1979	284	306	317	300	304	318	324	327	326	318	311	306	313
1980	304	304	285	270	290	306	329	319	321	319	363	2323	311
1981	319	299	299	315	304	294	302	280	275	293			
Fishmeal													
Hamburg													
1978	452	434	434	416	410	408	401	405	387	384	398	390	410
1979	381	382	381	366	368	393	415	400	394	394	415	450	395
1980	491	518	478	470	505	484	479	490	501	512	568	557	504
1981	541	518	507	501	504	485	470	439	434	405			
Palm oil													
N.W. Europe													
1978	514	558	598	603	624	654	622	585	615	623	604	604	600
1979	636	694	688	666	665	675	678	650	640	602	620	630	654
1980	662	683	637	611	584	555	545	518	501	507	585	622	584
1981	625	640	620	588	599	640	600	531	509	513			

NQ = no quote. ¹F.o.b. Decatur. ²2 weeks. Source: Oil World, various issues.

Selected oilseed crop production

Crop	1979/80		1980/81 ¹		1981/82 ²	
	Mil. m.t.	Pct. chg.	Mil. m.t.	Pct. chg.	Mil. m.t.	Pct. chg.
NORTHERN HEMISPHERE						
United States						
Soybean	61.7	+21	48.8	-21	56.5	+16
Sunflower	3.5	+94	1.8	-49	2.1	+17
Peanut	1.8	0	1.1	-39	1.7	+55
USSR						
Sunflower	5.4	+2	4.7	-13	4.8	+2
Canada						
Rapeseed	3.4	-3	2.5	-26	1.8	-28
India						
Peanuts	5.8	-6	5.7	-1	6.2	+9
China						
Rapeseed	2.4	+28	2.4	0	3.8	+60
SOUTHERN HEMISPHERE						
Brazil						
Soybean	15.1	+48	15.5	+3	15.2	-2
Argentina						
Soybean	3.7	0	3.5	-5	4.3	+23
W. Malaysia						
Palm oil ³	2.4	+20	2.7	+12	3.0	+11

¹Preliminary. ²Forecast. ³Continuous production.

Source: World Crop Production, Foreign Agricultural Service.

the strong U.S. dollar and high world prices, the price of soybeans in European currencies and the cost to European crushers rose by almost 40 percent. For 1981/82, however, European crushing margins are improving, as soybean prices decline and the dollar loses some of the gains made earlier.

European feeding activity is expected to rise with some increase in livestock profitability. France will likely require greater amounts of soybean meal, as it continues to expand poultry production and exports. In addition, the soybean meal-to-corn price ratio is again favoring soybean meal. In Western Europe, Portugal will likely shift to imports of soybeans rather than meal because new soybean crushing facilities are opening in 1982. Nevertheless, Portugal's soybean imports may expand to 700,000 tons in 1981/82, up from 300,000 last year.

The Soviet Union is likely to continue as a large soybean importer, purchases may hit 2 million tons in 1981/82. The USSR has already contracted for 500,000 tons of U.S. soybeans and may import 1 million from Brazil and Argentina. The poor sunflowerseed crops may allow the Soviets to crush larger quantities of soybeans; thus, they may import mostly beans and about the same amount of soybean meal as last year.

In the United States, soybean meal use will expand with limited growth in livestock production. Pork production may decline in 1982, but a moderate rise in poultry is expected. Soybean meal consumption is forecast to gain 4.6 percent, following an 8.4-percent decline in 1980. Soybean supplies will be more than sufficient, with stocks rising nearly 26 percent, forcing downward price adjustments in the soybean complex.

Eastern Europe's critical financial situation may curtail its meal imports, which are essential to maintain livestock feeding. However, prospects for obtaining the

necessary financing are grim, and will likely hold imports below 1980/81 levels, despite increased needs.

Several importers, such as Mexico and China, will have greater domestic supplies, which will diminish import requirements. Mexico's soybean crop was extremely good, more than double last year's bad harvest. Consequently, Mexico's soybean import requirements may drop sharply.

Soybean Exports Stronger; Meal Weaker

Soybean exports, instead of meal, may dominate world trade in 1981/82. The United States and Argentina will have large export availabilities. Also, Brazil is expected to ship about 1.7 million tons of soybeans. In that country, new policy discussions will probably lead to removal of all export quotas on soybeans and meal. World meal exports may decline from the 1980/81 record, primarily because of a drop in Brazilian soybean production and lower stocks. However, if Brazil increases imports of soybeans to better use crushing capacity, the available supply of meal for export could exceed that of 1980/81.

Soybean Oil Faces Keen Competition

World soybean oil trade is expected to remain near the 1980/81 level. Lower Brazilian export supplies will enhance U.S. sales prospects. However, vegetable oil supplies in several world markets are expected to increase. India, the major vegetable oil import market, expects to harvest large oilseed crops which may reduce imports. India appears to have contracted to import large quantities of Philippine coconut oil and Malaysian palm oil. China's imports may fall below 1980/81 because of improved crop prospects. China's rapeseed and sunflowerseed crops have risen 60 and 10 percent, respectively, contributing significantly to the 20-percent rise in domestic vegetable oil supplies. (Jan A. Lipson, 202 447-9160)

Meat

Little Change Forecast for 1982

Total meat production for 1982 in the major regions is forecast to show a slight gain over last year. With little change in pork production and beef and veal production likely to increase less than 1 percent, poultry meat is expected to account for the largest portion of the increase. A cost-price squeeze and weak economic conditions continue to plague some livestock operations, although lower feed grain costs will likely bring some relief, especially in the United States.

Cattle Inventory Up; Production Steady

The total inventory for cattle in January 1982 will continue to increase, mainly because of upward swings in U.S. and Canadian cattle cycles. Australia's cycle has not yet begun to turn up, prolonged by last year's drought and deteriorated market conditions. Argentina's numbers

Beef and veal production

Country	1979	1980	1981 ¹	1982 ²
<i>1,000 metric tons</i>				
United States	9,925	9,999	10,265	10,550
Canada	946	971	1,020	1,050
Mexico	1,025	1,060	1,105	1,175
Argentina	3,092	2,876	2,965	2,829
Brazil	2,100	2,150	2,225	2,300
France	1,824	1,831	1,800	1,800
Germany, Fed. Rep.	1,519	1,564	1,545	1,505
Italy	1,106	1,148	1,140	1,150
Total EC-10	6,881	7,123	6,836	6,844
Eastern Europe	2,656	2,596	2,497	2,482
USSR	7,029	6,673	6,700	6,650
Australia	1,770	1,539	1,395	1,368
Other	5,497	5,607	5,535	5,555
Total	40,921	40,594	40,543	40,803

¹Preliminary. ²Forecast.

Source: Foreign Agricultural Service.

have been cycling downward but may be heading toward an equilibrium, as an agricultural credit program for livestock producers encourages retention of breeding stock.

In the EC, cattle inventories continue downward, because high interest rates, the continued cost-price squeeze, and EC policies designed to restrain surpluses are likely to dampen investment and growth. Higher retail prices have also inhibited consumer demand.

World production of beef and veal in 1982 is projected to show a slight increase from 1981, with most of the rise projected to occur in the United States. For the United States in 1981, the number of fed beef slaughtered declined, but, because of the rise in nonfed slaughter, total beef and veal production increased almost 3 percent over the year earlier. In 1982, cheaper grain and lower interest rates are expected to encourage greater placements in feed lots. With nonfed slaughter forecast to rise slightly from last year, the expansion in beef and veal production in the this country will come mainly from increased supplies of fed beef.

Australia's production of beef and veal in 1982 should continue to decline. Producers face improved forage conditions, but market uncertainty and the low U.S. prices for imported boneless cow beef have made producers cautious. (Linda M. Bailey 202 447-9160)

Pork Output May Decline Again in 1982

Pork output in the major producing regions in 1982 is forecast to show little change or fall marginally, with U.S. production expected to drop further. Output in regions outside the United States may increase slightly. Output in 1981 in major producing areas fell an estimated 1.5 percent, as increasing feed costs and negative or poor returns forced producers in many countries to cut back or only maintain breeding herds. Lower feed costs may improve returns slightly in some nations in 1982.

In the United States, 1981 production fell about 5 percent, because hog feeding margins were below the breakeven point since mid-1979. Output in 1982 is fore-

Pork production

Country	1979	1980	1981 ¹	1982 ²
<i>1,000 metric tons</i>				
United States	7,008	7,535	7,117	6,768
Canada	750	877	860	840
Mexico	430	470	490	515
Germany, Fed. Rep.	2,688	2,726	2,715	2,725
France	1,686	1,691	1,730	1,750
Netherlands	1,045	1,062	1,072	1,080
Total EC-10	9,196	9,376	9,475	9,513
Eastern Europe	6,835	6,816	6,566	6,627
USSR	5,289	5,092	5,200	5,200
Japan	1,430	1,476	1,385	1,415
Other	5,567	5,831	5,851	5,946
Total	36,505	37,473	36,944	36,824

¹Preliminary. ²Forecast.

Source: Foreign Agricultural Service.

cast to continue to fall, despite lower feed costs and higher hog prices. Year-to-year declines should narrow, however, as the year progresses. In 1981, a large rise in U.S. pork shipments, especially to Japan, helped reduce U.S. net imports; little change is expected in 1982.

In the EC, 1982 output is expected to increase only slightly, limited by a continued cost-price squeeze, high interest rates, and Community policies designed to restrain surpluses. In Japan, 1982 output should increase from last year's low, as higher pork prices improve profitability. Japanese pork imports are forecast to drop.

In Eastern Europe, output in 1982 may show little change, although the level of political stability and feed availability in Poland will significantly affect the region's production. Output in the USSR is forecast to show little change because of the tight protein feed situation. This year's production is estimated to have risen 2 percent, reflecting Soviet efforts to increase pork output and maintain hog numbers, despite feed shortages.

Poultry Output and Trade To Rise

Output of poultry meat in major producing countries during 1982 is forecast to rise about 2 percent, only one-half last year's rate. Production by the major exporters—the United States, the EC, and Brazil—will rise moderately, but slower than last year. Import demand in major markets is expected to grow more slowly.

U.S. output in 1982 may rise modestly (compared with 6 percent last year) in response to negative returns during almost all of the past 2 years. Poultry meat exports should increase 10 to 15 percent, reaching 440,000 to 470,000 tons, as shipments to the Mideast and Japan continue to grow. EC output is forecast up 3 percent, versus 4 percent in 1981, partly because exports to non-EC nations are not expected to grow as fast. In France, the EC's largest producer, output will likely rise 5 percent, versus 11 percent last year. Brazil's output and exports may rise 5 and 15 percent, respectively, stimulated by growing Mideast shipments.

Poultry production

Country	1979	1980	1981 ¹	1982 ²
1,000 metric tons				
United States	6,519	6,619	6,992	7,002
Canada	539	530	516	538
Mexico	404	476	522	561
Brazil	1,096	1,330	1,410	1,485
France	1,034	1,122	1,249	1,311
Total EC-10	3,831	4,004	4,177	4,293
Eastern Europe	1,894	1,925	2,002	2,019
USSR	2,017	2,103	2,300	2,450
Japan	1,109	1,145	1,141	1,160
Other	2,469	2,672	2,756	2,837
Total	19,878	20,804	21,816	22,345

¹Preliminary. ²Forecast.

Source: Foreign Agricultural Service.

Among the importers, Japan's output should increase, following last year's decline; imports are expected to grow only 10 percent, one-third 1981's rate. Poultry production in the USSR continues to be the brightest spot for the Soviet meat situation, with an estimated 9-percent gain in 1981. The 1982 outlook suggests continued but slower growth. Despite the projected gain, Soviet poultry imports will likely continue to rise rapidly, as greater poultry consumption is encouraged. Output will continue to increase in North Africa and the Mideast, but production growth will not keep pace with large consumption gains. Hence, imports should continue to rise rapidly in 1982, although Saudi Arabian imports may not increase as fast. (David B. Young, 202 447-9160)

Sugar

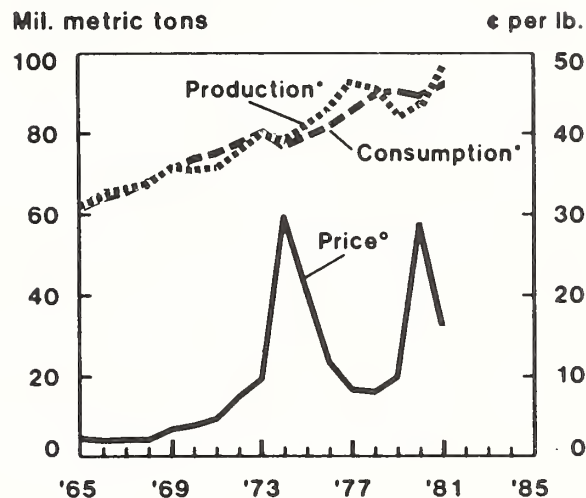
World sugar production in 1981/82 will substantially exceed the 1977/78 record of 92.5 million tons. Stocks will rise, despite increased consumption, and prices appear likely to stay relatively low over the next several months, if not for all of next calendar year.

Record World Crop Expected

USDA's first estimate of world sugar output in 1981/82 is 95.8 million tons, up more than 10 percent from last year's revised estimate of 86.6 million. More than a fifth of the increase comes from the EC, with an estimated record output of 14.7 million tons, up 1.9 million from last season. Brazil will come close to its target of 8.6 million tons, as damage from the July frost seems largely confined to the 1982/83 crop and not the current season.

Nearly half of the 9.1-million-ton rise in global production during 1981/82 is expected to come from improved output in India (plus 1.66 million tons), Thailand (510,000), Turkey (370,000), South Africa (380,000), Cuba (400,000), Poland (690,000), and the USSR (200,000)—all of which had poor harvests last season. Logistics problems and low sucrose recovery resulted in an estimated Soviet beet sugar production of only 7.1

World Raw Sugar Production, Consumption, and Price



*Crop year beginning September.

°Calendar-year average of daily International Sugar Agreement prices.

USDA

Neg. ERS 230-81(12)

million tons, which, although above last season, falls far short of the 7.8 million in 1979/80 and the record 9.3 million in 1978/79.

Global consumption fell 1 million tons in 1980/81 and showed no increase during the previous season. With more abundant supplies, low world prices, and population growth, consumption could rise 3 to 4 million tons in 1981/82, to around 92 million. Competitive corn sweeteners will continue to cut into sugar use. World consumption of high fructose corn sirup (HFCS) seems likely to increase around 400,000 tons next year.

Low Prices To Continue

The International Sugar Agreement (ISA) world price for raw sugar strengthened slightly to about 12-1/2 cents a pound in mid-December, up from a November average of 12 cents. The world price could average 10 to 14 cents a pound in 1982, compared with an estimated 16.8 cents in 1981 and 28.7 cents in 1980. Relatively low prices will reduce plantings for the 1982/83 crop, especially beets, and possibly divert sugarcane production to nonsugar uses, such as ethanol.

U.S. sugar output in 1982/83 could fall 10 to 15 percent from an estimated 6.2 million tons this season—a result of lower acreage and a return to more normal yields. With a domestic sugar support program, output may decline only half as much. Consumption of sugar will likely drop by another 180,000 tons or so, and HFCS use could rise about 275,000 tons in 1982.

Despite lower sugar consumption, imports should stay at about 4.2 million tons in 1981 because of large exports of refined sugar. With or without a domestic support program, U.S. raw sugar imports are expected to fall by several hundred thousand tons next year because of a continued decline in U.S. sugar use and an anticipated

sharp drop in U.S. exports of refined sugar. Projected exports of 900,000 tons (almost all refined sugar) in 1981 and 590,000 in 1980—up from less than 20,000 in 1979—have been made possible by high prices and rebates of fees and duties paid on previously imported raw sugar.

The International Sugar Organization Council met in November and decided on (1) an extension rather than renegotiation of the ISA (which expires at the end of 1982), (2) retaining the ISA's current price objective of 13 to 23 cents a pound, and (3) forming a working party to hold discussions with the EC on possible future accession. (Robert Barry, 202 447-7290)

Coffee and Cocoa

Coffee Production Up

World coffee production is expected to rise dramatically to 95.6 million bags in 1981/82, up from 83.7 million a year ago. Most of the increase in output will occur in Brazil, the world's top producer, where large plantings made after the 1975 frost are now reaching high productivity. Production is up in other major coffee-producing countries as well.

For the current year, Brazilian production will reach 32.5 million bags, compared with 21.5 million in 1980/81 and 9.3 million in 1976/77. Because of the July frost, however, Brazil's coffee production potential for 1982/83 is expected to drop to 16 million bags.

At 14.5 million bags, Colombia's 1981/82 harvest will be 500,000 larger than the 1980/81 record. Colombia's transition from shade-grown to the higher yielding sun-grown varieties has boosted production in recent years.

Production increases in Guatemala, Haiti, Honduras, and Mexico will more than offset the declines in the Central American countries—Costa Rica, the Dominican Republic, El Salvador, and Nicaragua. Production of coffee in Indonesia will again exceed 5 million bags, but output from the Ivory Coast may drop to under 5 million bags, largely because of the cyclical bearing habit of coffee trees.

World coffee production and consumption were nearly balanced during 1980/81; roasters drew stocks down because of high interest rates. According to International Coffee Organization (ICO) statistics, coffee use in the United States—the world's largest consumer—averaged 1.92 cups a person a day during 1980, down from 2.02 cups a year earlier.

Coffee Prices Stabilizing

Calendar 1981 prices for green coffee peaked in mid-January at nearly \$1.30 a pound, based on an ICO index. Prices declined to \$1.20 in late January, remained there until May, and dropped to 90 cents when the large world surplus became apparent and some producer countries demanded larger export quotas. Prices strengthened in July in reaction to a freeze in Brazil, but ample stocks have cushioned the price reaction. Prices will probably remain between the \$1.20 and \$1.40 a pound agreed on at the September 1981 meeting of the ICO.

On September 25, 1981, the International Coffee Council agreed on a coffee export quota system for 1981/82. A global export quota of 56 million 60-kilogram bags was established, including 53.2 million for producer members entitled to a basic quota (those with quotas over 400,000) and 2.8 million for all others.

Cocoa Production and Stocks Rising

World cocoa bean production during October 1981-September 1982 is forecast at a record 1.73 million metric tons, 4 percent greater than the 1980/81 bumper crop of 1.66 million tons. Global stocks will increase for the fifth year in a row. Increased output is forecast for Africa, North America, Asia, and Oceania, but South America's production will drop. Cocoa production is expected to trend upward for the next several years because of new plantings in the Ivory Coast, Malaysia, and Brazil.

U.S. cocoa bean grindings for the first 3 quarters of 1981 rose sharply over a year ago because of lower prices and a favorable bean/product price ratio. Imports and grindings of cocoa beans also increased in Europe. With abundant supplies and lower prices, world consumption of cocoa is expanding but will remain below production in 1982. World cocoa bean grindings are forecast at 1.61 million tons in 1982, compared with 1.56 million this year and 1.5 million in 1980. World stocks grew by an estimated 83,000 tons in 1981.

As of September 29, 1981, the Buffer Stock Fund of the International Cocoa Agreement (ICCA) had \$225 million for the purchase of cocoa. The ICCA was then implemented on August 1, reversing the bearish trend in cocoa prices. After reaching a 5-year low of 70 cents a pound in June, prices rose to 88 cents in July, 96 cents in August, and \$1.01 in September. At this point, the buffer stock manager began to purchase cocoa in an effort to meet the Agreement's objective of protecting the \$1.10 price. However, prices declined in October and November as it became apparent that the fund would need additional finances to sustain buying in the market. (Jules Powell, 202 447-7290)

Cotton

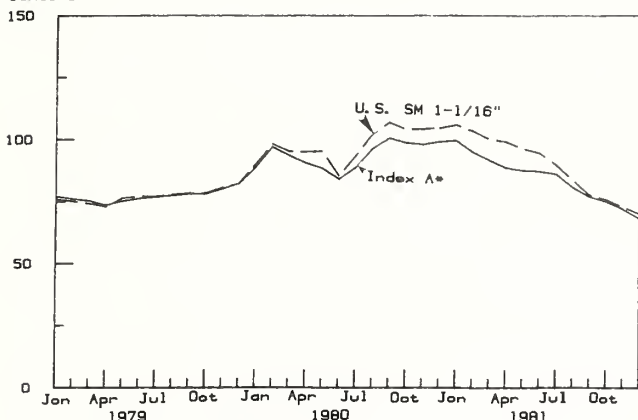
Production May Decline in 1982/83

The 1981/82 world cotton situation remains dominated by a 40-percent larger U.S. crop and weak global economic activity. World production in 1981/82 is forecast at a record 71 million bales, up 9 percent. Stocks are forecast to rise 18 percent and use should grow less than 2 percent. The tentative 1982/83 outlook suggests a drop in global output, because U.S. production is expected to fall, and a more rapid gain in world use because textile activity is likely to pick up. Foreign production is likely to be limited because of area declines in some countries due to relatively low cotton prices.

Global use in 1981/82 is forecast at 66.5 million bales, still a record, but revised downward from previous estimates, because of weaker U.S. and world economic growth prospects. The timing and strength of the

World and U.S. Cotton Prices

Cents/lb.



* Liverpool cotton services, average of 5 lowest prices of 10 selected growths.

recovery in global textile use and trade in 1982 will be the key determinant of cotton use in many nations in the second half of 1981/82, especially in east Asia. Global use in 1982/83 will likely rise faster than this season, as anticipated pickup in world economic growth improves textile use and trade. The outcome of the negotiations over the Multi-fiber Arrangement will also affect cotton use in different regions in 1982 and beyond, especially in Western Europe and east Asia.

World cotton trade in 1981/82 is estimated at 20.4 million bales, up 1.5 percent. U.S. exports are still forecast at 7 million bales, up nearly a fifth from last season. U.S. sales are rising sharply, with larger U.S. supplies and competitive prices, but shipments are lagging last year because of small carryin and continued weakness in world textile trade. U.S. shipments are expected to accelerate in early 1982, as textile activity improves. U.S. exports in 1982/83 are likely to rise, as overseas use increases and foreign output is limited.

World cotton production, trade, and consumption¹

Country	1979/80	80/81	81/82 ²	1979/80	80/81	81/82 ²
<i>Million 480-lb. bales</i>						
<i>Production</i>			<i>Exports</i>			
United States	14.6	11.1	15.6	9.2	5.9	7.0
USSR	13.1	14.3	13.9	3.8	4.3	4.2
China	10.1	12.4	13.3	—	—	—
India	6.0	6.1	6.4	.4	.4	.2
Pakistan	3.4	3.3	3.6	1.2	1.5	1.3
Brazil	2.7	2.8	2.7	—	—	.1
Egypt	2.2	2.4	2.4	.9	.7	.7
Turkey	2.2	2.2	2.3	.6	1.0	.9
Mexico	1.5	1.6	1.5	.9	.8	.8
Central America	1.1	1.2	1.0	1.0	1.1	.9
Sudan	.5	.4	.4	0.4	.4	.4
Western Europe	.7	.8	.8	.3	.2	.2
Eastern Europe	.1	.1	.1	—	—	—
Japan	—	—	—	—	—	—
Korea, Republic	—	—	—	—	—	—
Hong Kong	—	—	—	.1	.1	.1
Taiwan	—	—	—	—	—	—
Other	7.4	6.7	7.0	3.9	3.5	3.6
World total	65.6	65.4	71.0	22.7	19.9	20.4
<i>Imports</i>			<i>Consumption</i>			
United States	—	—	—	6.5	5.9	5.9
USSR	.3	.3	.3	9.1	9.3	9.4
China	3.9	3.0	2.9	13.8	15.2	15.9
India	—	—	.1	5.8	6.0	6.2
Pakistan	—	—	—	2.0	1.9	1.9
Brazil	—	—	—	2.6	2.4	2.4
Egypt	—	—	—	1.3	1.3	1.4
Turkey	—	—	—	1.2	1.3	1.4
Mexico	—	—	—	.8	.7	.7
Central America	—	—	—	.1	.1	.1
Sudan	—	—	—	.1	.1	.1
Western Europe	5.3	4.4	4.6	5.6	5.2	5.2
Eastern Europe	3.2	3.3	3.2	3.4	3.4	3.4
Japan	3.3	3.2	3.3	3.4	3.3	3.2
Korea, Republic	1.6	1.5	1.6	1.6	1.5	1.6
Hong Kong	1.2	.7	.8	1.1	.7	.7
Taiwan	1.2	1.0	1.0	1.0	.9	1.0
Other	2.8	2.8	2.6	5.9	6.1	6.0
World total	22.8	20.1	20.4	65.3	65.3	66.5

— = negligible. ¹Year beginning August 1. ²Projected.

Source: Foreign Agricultural Service.

Global ending stocks in 1981/82 are forecast to rise about 4 million bales, with the stocks-to-use ratio increasing to 40 percent from 35 percent last season. U.S. ending stocks are expected to about double. The buildup is reflected in this season's depressed prices; the Northern European "A" Index of cotton prices declined from 80.7 cents a pound in August to 72 cents in November. The price of U.S. M 1-3/32 inch, c.i.f. Northern Europe, has dropped from 83.7 to 72.9 cents over this same period, helping to lead the drop in the "A" Index. Prices for both the "A" Index and US M 1-3/32 inch continued to decline in early December. (David B. Young, 202 447-9160)

Tobacco

World Production Up in 1981

World tobacco production in 1981 is estimated to have increased 4 percent to 5.8 million tons (farm weight), with gains primarily in flue-cured and burley types. Both area and yields may have increased. Large gains were expected in China and the United States. U.S. burley output increased sharply, while flue-cured production rose substantially in China and India. Brazil and Zimbabwe greatly reduced output. The U.S. crop in 1981 is

forecast up 14 percent from last season, with flue-cured output up 5 percent and burley production gaining 29 percent. Oriental tobacco output is estimated to have decreased 7 percent from last season, with the USSR's crop up, while Turkey's production was cut back because of high stocks.

Use Rising; U.S. Exports May Grow

Global tobacco use and trade expanded moderately in 1981, and prospects are for the long-term trends to continue next year. Output of cigarettes, the main product, is expected to grow about 2 percent, with many developing countries in Asia and Latin America exceeding this pace. Demand remains weak in many of the developed countries; output increases will go largely for export.

Manufacturers have economized on tobacco content per cigarette, but a tight supply situation remains and has led to strong leaf demand, especially for the better quality leaf offered this year. Because of reduced leaf output, world stocks of tobacco fell in 1980 and 1981. World exports of unmanufactured tobacco are expected to increase slightly from the 1981 estimate of 1.3 million tons. The size and improved quality of this year's U.S. crop could boost U.S. leaf exports in 1981 and 1982 a tenth or so above the 272,000 tons shipped in 1980. (Robert H. Miller, 202 447-8776).

REGIONAL AGRICULTURAL DEVELOPMENTS

United States

Big Crops, Sluggish Economy Weaken Prices

Crop production in 1981 was 14-percent larger than 1980's drought-reduced output. Sizeable increases were recorded for all major field crops. Nearly ideal growing conditions in the summer compensated for a wet spring in the Corn Belt. The fall harvest progressed slower than usual, which helped to even out the flow of products to market. While domestic use and exports will rise in the months ahead, abundant supplies of grains, oilseeds, and fiber will more than offset disappearance, and stocks will build during 1981/82. As a result, crop prices have weakened, with those for corn, sorghum, and soybeans declining the most.

The sluggishness in the general economy has also tended to weaken agricultural prices. High interest rates discourage inventory holding and increase the cost of production for livestock and poultry producers. With consumers carefully watching their household budgets, expenditures for meat have been held down, and because meat supplies have been large, livestock prices have been lower than expected. Many feeders have been in a cost-price squeeze for more than a year, which has helped reduce the number of sows bred and slowed the increase in chicks hatched. This tempers the demand for feed grains and adds to the price weakness in crops.

Interest rates are currently falling, and the general economy will likely pick up next year. Increases in Social Security benefits and a tax cut will give an added boost to the economy about mid-1982, thereby increasing the demand for farm products next summer and fall.

Farm Income To Remain Under Pressure

Farmers have experienced a second year of low farm income, and the outlook is not promising for 1982. Farm income declined sharply in 1980, from the record high in 1979, as increases in production expenses began to outpace gains in cash receipts. In 1981, expenses increased about 9 percent, while cash receipts from crops and livestock were up about 5 percent. This has given many farmers severe cash-flow problems. However, farmers' equity continues to rise.

In 1982, large marketings from the bumper 1981 harvests likely will keep farm prices low and limit increases in cash receipts. Farm production expenses will rise further, led by increases in interest expenses. This suggests a continued squeeze on 1982 net income. In the year ahead, livestock receipts likely will gain relative to crop receipts. Thus, even though aggregate net income may be low for 3 consecutive years, all farmers will not be equally affected.

Food Price Gains Slowing

Per capita food consumption declined in 1981. Beef, poultry, and cereals and bakery products are the only major foods to show an increase. Retail food prices are estimated up 8.2 percent, just slightly higher than in 1980 and well below the general rise in the prices of most goods and services. In 1982, food consumption is expected to rise about 1 percent, with increases in beef, dairy products, cereals, and fresh vegetables. Retail food prices may rise another 5 to 9 percent, with the tentative forecast at 7 percent. Thus, the relatively large supplies of farm foods and foodstuffs will limit the cost-push from the farm sector in 1982. However, food-marketing costs will increase significantly and be the major source of food price rises in 1982. Employee wages will be the most important factor contributing to higher marketing costs in the coming year. (Donald Seaborg, 202 447-8376)

Canada

Record Cereal Production and Exports

Total 1981 cereal production is estimated at a record 49.9 million tons, 11 percent or 5.2 million tons above the previous record in 1976. A reduction in summer fallow and substitution of cereals for oilseeds resulted in a record 21.7 million hectares harvested. Near-record yields of wheat and coarse grains also contributed to the large crop.

Canada's agreement to sell the USSR 2.5 million tons above their long-term agreement's minimum of 4 million, combined with strong sales to other traditional markets, is expected to set a cereal export record at about 23 million tons. Ending stocks should increase only slightly, in spite of the large crop.

Total 1981/82 grain and oilseed exports will not reach the Canadian Wheat Board's target of 26 million tons unless the transportation and handling systems operate at maximum capacity all year long. However, total exports will likely be well above the 1979/80 record of 21.7 million tons.

Farmers planted less oilseeds in 1981 in response to large domestic stocks accumulations and low prices. Production is estimated at only 3.1 million tons, 20 percent below last year's crop and 40 percent below the 1979/80 record. Stocks have not fallen below normal, in spite of 2 years' lower production.

Livestock Production Stagnates

The pork industry, after a vigorous 5-year expansion and a 2-year cost-price squeeze, finally underwent the long-awaited contraction. Hog numbers are about 4 percent lower than a year ago. Hog slaughter began to fall below 1980's levels in the spring, the first seasonal year-to-year decline in 5 years. In response to larger pork supplies, poultry production declined in 1981, and cattle numbers and slaughter did not continue expanding as anticipated.

In 1982, feed costs are expected to decline and provide some additional incentive for expanding livestock output.

However, as long as interest rates remain high and consumer demand continues stagnant, little growth in livestock production can be expected. (Ron Trostle, 202 447-8378)

Western Europe

The economies of most Western European countries faltered during 1981, and the EC is studying possible modifications in its Common Agricultural Policy (CAP). Crop production was relatively good—except in Spain and Portugal—although output was generally lower than in 1980. Depressed economic conditions have limited growth in the demand and production of livestock products. U.S. agricultural exports to Western Europe dropped during October 1980-September 1981, but are expected to recover somewhat in 1981/82.

Recession Lingers

Western Europe is still searching for ways to pull out of the 1980-81 economic slump, but recovery is not expected to start until mid-1982 at the earliest. Fiscal restraints to curb inflation, high interest rates, and a slowing in the economies of industrialized countries outside Europe are stalling earlier hopes for a faster recovery. Most countries expect only marginal growth in the GNP, continued growth in unemployment, and continued high but moderating inflation into 1982. Large trade deficits, primarily the result of imported oil, are causing balance-of-payments difficulties and a clamor for trade protection. The only favorable trends are a recent weakening of the dollar, which has lowered the costs of imports for some countries, and a slight drop in interest rates.

EC Policy Under Review

The EC is reviewing its CAP, looking for opportunities to reduce commodity surpluses and to trim budgetary costs. Surplus production besets a number of commodities, including soft wheat, sugar beets, certain fruits and vegetables, milk and certain milk products, broilers, and beef and veal. Price support programs for most of these commodities, along with storage costs and disposal measures (including export subsidies), have pushed CAP costs to a level nearly equal to the EC's "own" financial resources.

Discussions are underway on methods to reform the CAP. Some of the EC Commission's recommendations include reducing EC grain prices to world levels by 1988; continuing production quotas on sugar; applying a system of coresponsibility levies, supplementary levies, and special levies to milk production; and using a "prudent" price policy, as well as revising producer premiums for beef and veal production. Despite consideration of policy modifications, the EC Commission is still recommending increases in agricultural exports through 1988 to at least maintain the Community's share of the world market it attained in recent years.

Agricultural Production Favorable

Western Europe had a relatively good year for most crops, except Spain and Portugal, where a severe drought sharply reduced production. The 1981 grain harvest for Western Europe is estimated to be the third best crop in history, even though it was 10 million tons below 1980's record. The EC-10's grain crop fell nearly 3 million tons, primarily the result of lower production in France. The non-EC countries expect a much smaller outturn, primarily the result of a 7-million-ton decline in Spain, down from the 18.3-million-ton record in 1980. Furthermore, Portugal's grain crop will be only two-thirds as large as the poor 1980 production.

The wheat crop in Western Europe may exceed 59 million tons, the second best in history, but 5 million tons below the 1980 record. Most of the EC-10 countries expect smaller output. Spain's wheat crop, estimated at 3.3 million tons, dropped from 5.9 million in 1980.

Western Europe's coarse grains will total nearly 90 million tons, about 5 percent below 1980. Both the EC and the non-EC areas, particularly Spain, expect smaller crops in 1981. Spain's coarse grain output dropped over 4 million tons and will necessitate imports of around 7.7 million during 1981/82. Spain's coarse grain imports totaled 4.3 million tons in 1980. Barley, Western Europe's principal feed grain, fell about 9 percent below 1980's output, to slightly more than 51 million tons. Corn production, estimated at 22.5 million tons, will slightly exceed the previous year.

Sugarbeets were a bumper crop in 1981, with significant increases in all the major producing countries. Uncertainties surrounding future EC sugar policies did not deter a sharp expansion in area, given the high prices at planting time. Potato production in 1981 continued a downward trend. Discouraged by low prices, farmers reduced plantings below year-earlier levels. Production of cotton and tobacco is estimated to have increased, while output of both wine and olive oil declined.

Production of livestock products, except poultry meat and milk, stagnated in 1981. Preliminary estimates indicate that Western Europe's poultry meat production increased, with a 5-percent rise for the EC-10. Total red meat production in the EC probably dropped, as a decline in beef and veal production more than offset a slight rise in pork. Milk production in Western Europe is estimated to have exceeded the previous year's record of over 133 million tons.

U.S. Export Outlook Encouraging

The United States exported \$11.8 billion of farm products to Western Europe in fiscal 1981, down 5 percent from the previous year. A reduced volume of the major export commodities was responsible for the decline, because export unit values were generally higher. Nevertheless, shipments should recover to over \$12.2 billion in fiscal 1982. The volume of some major commodities may rise, although unit values are likely to be lower. Good coarse grain crops and stagnating demand for livestock products are likely to hold EC's imports of

feedstuffs near the 1981 level. However, imported feed grains will be significantly higher in Spain and Portugal, where the United States is expected to provide the bulk of both grain and soybean imports. (James Lopes, 202 447-8289).

Australia

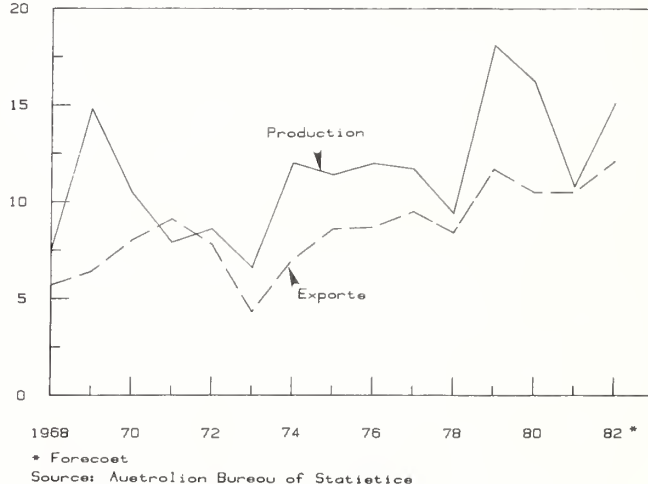
Rural Output Expands

Total agricultural production for 1981/82 is anticipated to be 11 percent above the drought-reduced results of last season. Crops are expected to rise 22 percent, while livestock output may decrease 4 percent. However, gross income from farm products may not increase as much as production because of lower crop prices. Also, gains in farm costs are likely to offset increases in gross income, so net farm income would be about the same as last year.

Wheat Harvest Large

Record wheat plantings got off to a promising start during June because of good rains. However, dry weather during August and September tempered earlier yield expectations. Presently, a crop of 15.5 million tons is forecast, 43 percent above last year, but 14 percent below the 1978/79 record. A large proportion of the crop is usually exported. For example, during the last 10 years, exports averaged 77 percent of the volume harvested. During 1981/82, shipments are expected to reach 12 million tons, up about 20 percent from last year.

Australian Wheat Production and Exports
Million metric tons



Meat Production Declines

Total red meat output during January-August 1981 was 4 percent below a year earlier. Declines in beef and veal production offset gains in lamb, mutton, and pork. Annual cattle and calf slaughter is expected to be 10 percent below a year earlier, because drought and disappointing prices prompted ranchers to reduce the number

of cattle and calves on farms. Beef exports are likely to be down 18 percent from last year, primarily reflecting the cutback in production and lower prices and high interest rates in the United States. Also, the mislabeling of meat shipped to the United States hampered exports. Lower cattle and calf numbers during 1982 indicates reduced slaughter and a repeat of the low export rate. (Allen Johnson 202 447-8378).

Japan

Cold weather, floods, and typhoons during August precipitated farm losses estimated at \$1.2 billion (about 3 percent of gross agricultural output). Damage was most severe in northern Japan. Total rice production is now estimated at 9.4 million tons (milled), compared with a target of 9.8 million. This will be the second consecutive year of rice production below target—a situation that will, to some extent, reduce surplus stocks and alleviate the need for subsidizing exports and the feeding of rice.

Exports of surplus rice through September totaled 781,000 tons, with a large percentage delivered to South Korea on an emergency basis during April-August. September exports were the lowest in 15 months, pointing toward a more modest level next year—more in line with the 400,000-ton annual average agreed upon in the April 1980 U.S.-Japan Rice Agreement. Additional surplus rice has been going into the manufacture of formula feed. About 27,000 tons was used during June-September, and another 84,000 tons will be sold by the end of December. Annual use of approximately 200 to 250,000 tons will reduce import demand for coarse grain over the next several years.

U.S.-Japan bilateral discussions, the third of a series of agricultural meetings encouraged by the Carter-Ohira communique of May 1979, took place October 14 and 15 in Tokyo. The talks centered primarily on the exchange of information, particularly that relating to the current world supply and demand situation for major commodities, as well as the likely direction of each country's agri-

cultural policy in the 1980's. The United States emphasized its interest in rescheduling the beef and citrus talks earlier than spring 1983 and encouraged Japan to help reduce its trade surplus with the United States by importing additional U.S. grain and soybeans for stockpiling. The Japanese rejected the idea of earlier beef and citrus talks but did show some interest in expanding stockpiles as part of a national food security program currently under study. A government program for feed grain stockpiling, initiated in 1976, called for expanded government holdings of barley and public subsidies for increased private holdings of government-owned corn, sorghum, and soybeans.

At the meetings, Secretary Block assured the Japanese that efforts were progressing smoothly to eradicate the Mediterranean fruit fly infestation in California. Although the U.S. export volume of fresh citrus increased 18 percent in fiscal 1981, trade in August and September fell behind year-earlier levels. The slowdown is attributed to California's effort to build up fumigation and cold-treatment capacity for export-bound fruit and to some reluctance on the part of stevedores to load fruit fumigated with ethylene dibromide (EDB), a suspected carcinogen. (William Coyle, 202 447-7590)

USSR

The Soviets let the celebration of the October Revolution, a Party Central Committee Plenum, and an important session of the Soviet Parliament pass without giving specifics on 1981 agricultural performance or grain production. The failure to give any indication of actual grain output during at least one of these events is an unusual occurrence indicative of a poor harvest.

While General Secretary Brezhnev's Plenum remarks were largely an admission of failures in the agricultural sector, the policies set out for the Eleventh 5-Year Plan were, for the most part, restatements of themes now more than a year old. Similarly, the 5-Year Plan adopted by the Supreme Soviet gives force-of-law to economic targets that would appear hopelessly compromised if 1981's agricultural performance is as bad as it now appears.

Grain Crop No Better Than 1979

Soviet grain production in 1981 is not expected to exceed 175 million tons (236 million were planned), compared with actual production of 189 and 179 million in 1980 and 1979, respectively. If production is in fact this low, the Soviets will have suffered a 3-year cumulative plan shortfall of 155 million tons, approaching the equivalent of a full year's crop.

The poor performance is attributable to several factors:

- An extremely small grain area, probably no more than 123 million hectares, which is the smallest since 1972;
- A period of heat and insufficient rainfall that lasted almost without interruption from mid-May to harvesttime over much of the grain area;

Japan's exports of surplus rice

Year	Indonesia	S. Korea	Bangladesh ¹	Total	Share ²
	1,000 metric tons ³				Percent
1969	6	308	17	331	99.9
1970	151	302	112	597	94.6
1971	125	527	162	909	89.4
1972	101	—	57	200	78.8
1973	250	92	70	517	79.7
1974	135	45	33	284	75.0
1975	10	—	—	10	98.5
1976	—	—	—	—	12.4
1977	17	—	—	17	99.9
1978	74	—	—	75	99.6
1979	169	228	155	564	97.7
1980	210	144	120	654	72.5
1981					
Jan.-Sept.	78	625	19	781	92.4

— = negligible. ¹Prior to 1972, East Pakistan. ²Indonesia, South Korea, and Bangladesh as percent of total. ³Milled basis.

Source: Japan Tariff Association.

- The nearly simultaneous ripening of spring and winter crops, thereby increasing the harvesting burden on Soviet manpower and machinery;
- An early Siberian snowstorm that caught 2 to 3 million hectares of grain still in the fields, despite the fact that the overall harvesting pace was the fastest in at least 10 years;
- The perennial institutional problems in Soviet agriculture; i.e., poor-quality machinery, excessive harvest losses, shortages of plant protection agents, problems with fertilizer production and application, and lack of suitable incentives for farm workers.

If Soviet production of grains and pulses reaches the projected output of 175 million tons, yields would be no better than in 1979. The Soviets would have to average annual production of 255 million tons (their record is 237.4 million in 1978) over the next 4 years to reach the 1981-85 grain target of an average annual production of 239 million tons.

Forage Supplies

For at least 2 years, the Soviets have directed special attention to fodder production as a method of reducing the consumption of grain concentrates in animal rations. For example, a recently published standard for dairy cattle indicated that 40 percent of rations should be composed of coarse and succulent fodders, and for beef animals, 52 percent.

As of early October, hay production had reached 64 million tons, about 10 million above 1980's pace. Production of haylage and silage, however, lagged behind that of last year, and the straw outturn was about the same. While the quality of fodder was probably better than that gathered last year, a *Pravda* article (September 24, 1981) reported, "... every 7th ton of haylage, every 13th ton of silage, and every 9th ton of hay is low grade."

Harvest Pace Especially Fast

Except for potatoes, the pace of 1981 harvest was extremely fast. As of October 19th, sugarbeets has been lifted on 92 percent of the planned area—the fastest harvest in at least 10 years. A crop of about 81 million tons is expected. The sunflowerseed harvest, 91 percent complete, was the quickest since 1977, and a crop of 4.8 million tons is anticipated. About 25 million tons of vegetables were forecast, with harvest 81 percent complete. The potato harvest was faster than last year but slower than 1979. A crop of around 70 million tons is expected. Although replantings delayed the cotton harvest, a good crop of about 9.7 million tons is likely.

Feed Shortage Affects Livestock

As of November 1, livestock inventories on state and collective farms amounted to 90.3 million head of cattle and 674.2 million poultry, both records. Hog numbers totalled 57.6 million slightly below that on the same date in 1980, and sheep and goats, at 119.6 million, gained slightly.

Tight feed supplies in 1980 and 1981 have led to slower growth in animal inventories. Moreover, an analysis of average slaughter weights and marketings of cattle and hogs suggests some stress on livestock, although not as pronounced as occurred this September. October cattle weights, averaging 350 kilograms, gained 16 kilograms over the reduced weights in September. Nevertheless, they were the lowest weights for that month in 5 years. The average liveweight of slaughter hogs, 101 kilograms, improved over September but were no better than in 1980 and were generally below 1977-79 averages for October.

Meat output (liveweight) in the socialized sector in the first 10 months of 1981 was 2 percent higher than in 1980, reaching 13.2 million tons. Milk production continued a 4-year decline and amounted to 54.5 million tons. Eggs remained the only bright spot, up some 6 percent from 1980.

Trade Outlook

The Soviets are expanding their grain importing capabilities, and purchases for each of the two most recent quarters (April through September) were both above 10 million tons—the highest ever. Soviet grain imports during July 1981-June 1982 are expected to total about 43 million tons, valued at nearly \$7 billion. At this level, they will likely put pressure on the Soviet transportation network.

Since the Soviets reentered the U.S. market in late July, they purchased about 12.1 million tons of U.S. grain through early December, 10.6 million of which is to be delivered in the extension year of the U.S.-USSR Grain Agreement. The United States offered the Soviets 23 million tons for that year.

On October 21, the Soviets were reported to have made their first purchase of U.S. soybeans (500,000 tons) since the U.S. sales suspension disrupted trade. In 1982, Soviet import requirements for soybeans are expected to reach almost 2 million tons, and soybean meal imports will likely remain at about 1.2 million. The USSR is projected to reenter the U.S. market for soybeans and meal when foreign supplies are inadequate or when U.S. prices are particularly favorable.

Winter Crop Conditions

The rapid conclusion of this year's harvest left adequate time for fall field work. As of October 12, winter crops had been seeded on 37.6 million hectares, over 2 million more than in the previous year. By October 5th, winter grains had been planted on 31.1 million hectares, 86 percent of the planned area. A total winter grain area of about 35.5 million hectares is expected, compared to 34 million last year. Soil moisture reserves in all winter-grain-growing areas of European USSR appeared good going into the winter.

By the end of November, autumn plowing had been completed on 114 million hectares, considerably more than had been done by the same date in previous years and more than had been planned. The favorable performance should facilitate rapid sowing in the spring. (Anton F. Malish, 202 447-8380)

Eastern Europe

Crop Harvest Mixed

The 1981 grain harvest will near 94 million metric tons, somewhat below 1980's 96 million but close to the average annual production of 1976-80. Combined production of sunflowerseed, rapeseed, and soybeans will be slightly less than last year's outturn of 3.89 million tons.

Potato and sugarbeet output will recover from the disastrous harvests of 1980. Approximately 40 percent more potatoes should be harvested in 1981, with sugarbeets up slightly less than 20 percent. Drier summer and fall weather this year should boost sugar content in beets, especially in the northern countries.

Winter Sowing Conditions Good

Winter sowing conditions are much improved over 1980. All countries experienced almost ideal weather, resulting in a faster sowing pace and a likely expansion in total area sown in Yugoslavia and Poland. Normal to above-normal precipitation maintained favorable conditions for winter grains through mid-November in the German Democratic Republic and Poland. The outlook is good, providing adequate precipitation and soil moisture continues.

Food Short in Romania and Poland

Sporadic rationing of bread, flour, sugar, cooking oil, meat, and other livestock products began October 17 in Romania because of continuing food shortages. The rationing system assigns annual purchase quotas and restricts consumers to purchases from their local food shops or factory canteens.

Meat procurements in Poland continue to be far below target, and the Government has raised meat and fat import targets several times this year. In October, the target for livestock procurement was only 58 percent accomplished and procurement of slaughter livestock between January and October fell 600,000 tons from the previous year. In an effort to increase meat sales to the state, the Government announced on November 1 that farmers could buy consumer durables and/or farm machinery from the state upon the sale of their slaughter livestock to procurement centers. This emergency program, scheduled to end in December 1981, may be extended into 1982 and include grain procurement.

The meat supply situation in Poland could improve slightly in 1982, but only if grain and potato crops—larger in 1981 than in 1980—are supplemented with imports of approximately 6 million tons of grain and 1.45 million tons of oilmeal. As has been the case with Poland, credit availability will determine the magnitude of feed imports.

The poor food situation, particularly for meat in Romania and Poland, could spread to Czechoslovakia later in 1982. Authorities have decided to reduce hog herds rather than import enough feed to make up 1981's harvest shortfall (approximately 13.6 percent below 1980 production). Depending on the scale of herd adjustments, meat supplies—especially pork—should decline by mid-to late 1982.

Little Import Growth in 1981/82

USDA estimates Eastern European grain imports during July 1981-June 1982 at 15.7 million tons, 6.5 percent below 1980/81 imports. Credit financing problems and stagnant livestock numbers underlie the expected lower level. No Commodity Credit Corporation credit guarantees have yet been allocated for fiscal 1982 to the eligible Eastern European countries—Hungary, Poland, Romania, and Yugoslavia. Officials in Yugoslavia have voiced concern over high U.S. interest rates, which they say discourage them from using any CCC credit allocations.

Imports of U.S. oilseeds and oilmeal in 1981/82 should be close to 1980/81 imports of 580,000 tons of soybeans and 1.4 million tons of meal.

Poland continues to import food at concessional prices and on credit from the West. Also, that country reportedly received above-plan shipments of such goods from the USSR in late 1981. In August, the United States approved \$50 million in PL 480 assistance and sold \$992,700 of surplus dairy products to Catholic Relief Services for distribution in Poland. Also, USDA, in conjunction with CARE, sold in October an additional \$31.7 million of dairy products to be paid for in nonconvertible zlotys. In November an additional \$30 million in PL 480 Title II aid was approved. Also, the EC approved in October a third food aid package that included wheat, barley, rice, beef, butter, and lemons. (Robert Cummings, 202 447-8380)

China

Spurred by generally good weather, greater input supplies, and policy-induced increases in efficiency, most farm production rose in 1981. This performance will likely permit China to hold the line on agricultural imports in 1982, and those from the United States may drop slightly during the year.

Grain Production Recovers

Total wheat, rice, and coarse grain production in 1981 is estimated at 237.4 million tons, 2.6 percent over 1980 but 2.5 percent below the 1979 record. Wheat production rose 6 percent to 57.5 million tons. Near-record yields more than offset a 5-percent drop in area. The rice crop hit a record 97.9 million tons. Yields were a record, 4 percent over 1980 and 2 percent over the previous record of 1979.

Coarse grain production for 1981 remains uncertain but will likely be somewhat below last year. An extended period of rain damaged crops in the Northeast—an important producing region—but the outturn was generally higher in the rest of the country.

With grain production up and a go-slow approach to livestock feeding, China's imports of wheat and corn are projected at 14.5 million tons in 1981/82, about the same as the 14.6 million of 1980/81. Most imported grain will again be wheat; coarse grain imports are expected to total only about 1 million tons. U.S. grain shipments to China in 1981, the first year of the U.S.-China grain agreement, will top 8 million tons.

China's major commodity production

Commodity	1978	1979	1980	1981 ¹
1977 = 100				
Grains ²	113.7	122.3	116.2	119.3
Oilseeds	111.8	118.4	137.1	151.4
Cotton	105.8	107.8	132.2	141.6
Sugar	125.0	137.8	141.6	165.3
Meat	104.7	136.3	154.6	160.3

¹Estimated. ²Wheat, rice, and coarse grains.

Other Production Grows

The largest cotton area in over 20 years contributed to a record 1981 crop of 2.9 million tons, 7 percent over 1980. Rising production has allowed China to scale back cotton imports to a projected 2.9 million bales in 1981/82, 9 percent below the previous year and 26 percent below the 1979/80 record.

The oilseed crop was another record in 1981. Production for the year totaled 22.3 million tons, up 10.4 percent from last year and the fourth consecutive increase. A dramatic jump—35 percent—in rapeseed area helped boost the crop 59 percent, to 3.8 million tons. Sunflower and soybean area and production were also up, but peanut output showed no gain for the year. Edible oil availability should rise by nearly 20 percent, and China's imports of vegetable oil may again decline during 1981/82.

Production of most other crops was also up. Tobacco area rose in response to higher prices, and output was about 20 percent more than the 1.1 million tons produced in 1980. Crops of sugarcane and sugar beets were also larger, and sugar production will again rise.

The livestock sector also turned in a good year, continuing the pattern of the previous 3 years. However, the rapid growth of meat production—over 90 percent of which is pork—is slowing, because some of the increase is coming from inventory reductions. The yearend hog inventory is expected to show the second consecutive decline.

Prospects for 1982

Agricultural production should continue to gain in 1982. The major growth stimulus will be the agricultural policies adopted in the past several years—greater incentives, more local autonomy, and regional specialization. The pace of growth may be slower than in recent years, however. Input supplies are rising more slowly, and the biggest share of the policy impact has probably already occurred. Contraction of grain area—a 4-percent drop in the last 3 years as acreage shifted to more profitable cash crops—should slow.

China's Government seems to favor holding the line on further increases in agricultural imports. Greater grain imports have been partly used to support regions emphasizing production of cash crops such as sugar, oilseeds, and cotton. These efforts have been successful, at least for the time being, and some drop in nongrain imports during 1982 is likely. The quantity of U.S. farm products shipped to China is not expected to decline, but

lower prices will curtail the value of exports somewhat. U.S. farm exports to China during fiscal 1982 are projected at \$2.1 billion, about 5 percent below 1981's record \$2.2 billion. (Frederic M. Surls, 202 447-8676)

Asia

Most Asian countries will experience some growth in total agricultural output during 1981. South Korea is rebounding from a disastrous 1980 season, while grain crops continue strong in Pakistan, Bangladesh, Indonesia, and Thailand. However, the improvement in these countries may be partially offset by a smaller increase forecast for India.

Smaller Indian Wheat Imports Expected

Indian wheat imports during 1981/82 (April-March) are now expected to total 2.3 million tons, down from earlier estimates of 4 million. The reduced wheat import estimate stems from the improved outlook for the 1982/83 wheat crop, following beneficial post-monsoon rains in the major wheat-producing areas in north India, and India's failure to purchase additional wheat in time to move a total of 4 million tons through its ports before the end of the current marketing year. Additional wheat imports are still expected, however, because the high rate of distribution from government stocks continues to jeopardize the Government's stock position.

Low stocks would limit the Government's ability to control open market prices, procure successfully, and rebuild wheat stocks from the 1982/83 harvest. The 1981/82 wheat procurement effort failed, despite record production of 36.4 million tons, largely because low government stocks encouraged farmers and traders to hold wheat in anticipation of higher prices. Indian wheat imports during 1981/82 are expected to include 1.6 million tons from the United States, and about 750,000 tons from Australia.

India's kharif crops

Crop	1978/79	1979/80	1980/81	1981/82
Area				
1,000 hectares				
Rice	40,482	39,414	39,773	40,000
Corn	5,760	5,721	5,983	5,800
Sorghum	16,146	16,674	15,610	16,200
Millet	18,495	17,196	17,866	17,800
Peanuts	7,433	7,238	7,250	7,300
Cotton	8,119	8,078	8,000	8,100
Sugarcane	3,119	2,610	2,648	3,100
Production				
1,000 metric tons				
Rice	53,773	42,330	53,231	52,000
Corn	6,199	5,603	6,804	6,100
Sorghum	11,436	11,648	10,504	11,000
Millet	10,661	8,094	9,461	9,500
Peanuts	6,208	5,772	5,800	6,200
Cotton ¹	6,213	6,011	6,100	6,360
Sugarcane	156,450	128,833	150,522	180,000

¹In thousand 480-lb. bales.

Sources: Government of India; Foreign Agricultural Service and Economic Research Service estimates.

India's 1981/82 rice harvest is now forecast at 52 million tons, compared with the 53.23 million harvested in 1980/81. The decline has been caused by the early withdrawal of the 1981 monsoon from important rice-producing areas in northern and eastern India. The combination of relatively high public distribution of rice and estimated record exports of 1 million tons caused government stocks to fall to 4.1 million by the end of the 1980/81 marketing year in October. Despite what is likely to be a near-record government rice procurement effort in 1981/82, the low stock position is expected to reduce 1981/82 exports to about 650,000 tons.

The forecast of edible oil purchases by India, the world's largest importer of vegetable oils in recent years, has been revised upward to 1.3 million tons for 1981. The increase stems from a greater than expected surge in consumer demand and increased government imports in an effort to hold down soaring domestic prices. Growth in the differential between Indian domestic and world prices for edible oils has also led to unanticipated imports by private traders, despite tariff and nontariff restrictions.

Lower-than-expected prices for soybean oil—particularly of Brazilian origin—relative to palm oil have led to readjustment of the forecast shares of these oils in India's total imports. Current estimates for 1981 edible oil imports include 625,000 tons of soybean oil and 475,000 of palm oil, compared with 1980 estimates of 692,000 and 515,000 tons, respectively. Expected increases in peanut and rapeseed production during 1981/82 and the probable exclusion of the private trade from imports because of the imposition of higher import duties will likely prevent any increase in India's aggregate import demand for vegetable oil during 1982.

High producer prices and favorable growing conditions have sparked sharp increases in both cotton and sugarcane production during 1981. These gains are expected to lead to the curtailment of cotton and sugar imports during 1981/82, as well as the reinitiation of substantial sugar exports.

Crops Remain Good in Bangladesh And Pakistan

Favorable weather has enabled Pakistan to harvest a record cotton crop of 787,000 tons in 1981/82, up 6 percent from the previous year. Good weather has similarly benefited the recently completed rice harvest, which was about 10 percent higher than the previous year's 3.1 million tons. The outlook for Pakistan's next wheat crop, which will be harvested during April-May 1982, looks very good—12.3 to 12.5 million tons. During the early stage of growth, Pakistan received above-normal rainfall, and germination was excellent.

Last season's drought in Bangladesh has reduced expectations for the summer rice crop to 7.3 million tons. A crop of this size would bring cumulative 1981/82 rice production to 10.7 million tons. However, with plentiful inputs and abundant subsoil moisture, winter rice and wheat production should reach 2.8 and 1.3 million tons, respectively. Consequently, food grain stocks are expected to remain at comfortable levels of 0.8 to 1.5 million

tons during 1981/82. Food grain prices should remain stable. U.S. PL 480 commodity aid to Bangladesh in 1981/82 has been budgeted at \$50.5 million, sufficient to finance a significant portion of the country's continuing import requirements for wheat, vegetable oils, and cotton.

East Asian Grain Situation Improving

Another record rice harvest and higher output of corn, cassava, and soybeans has strengthened Indonesia's year-end food security position. The 9-percent rise in rice production, to 22.2 million tons, will reduce 1981 import requirements to about 550,000 tons—only a fourth the level of the past 2 years. The continued upturn in rice output is attributable to several factors: excellent weather, increased use of fertilizer and pesticides, minimum damage from pests and disease, further improvement in irrigation systems, and the development of a more effective extension program. However, a poor performance for agricultural exports eroded much of the potential foreign exchange savings prompted by lower rice imports. Sharply lower prices for rubber, coffee, tea, and palm oil, coupled with some reduced volume, forced the value of agricultural exports down substantially during 1981.

Production and exports of Malaysian palm oil continue to climb. Crude palm oil production will reach 2.75 million tons in 1981 and is expected to hit 3 million during 1982. About 80 to 85 percent of the annual output is exported. Low prices dampened the rate of increase in export earnings from palm oil while lower volume and unit prices resulted in a sharp decline in rubber export earnings.

Taiwan's rice crop will be about the same as in 1980, with improved yields offsetting reduced area. The Taiwan Government is planning to further curtail rice production in 1982 to reduce excessive stocks. Taiwan's September reserves stood at 900,000 tons, 400,000 higher than the targeted safety level.

Crop production in Thailand will be up for the second consecutive year. Favorable rainfall patterns have resulted in a 15-percent jump in corn production to 3.8 million tons and a second consecutive record rice harvest of 12.9 million tons appears likely. Substantial increases are also anticipated for sorghum and sugarcane. But, despite the big harvests, Thailand's 1981/82 export prospects are not especially bright, because good harvests have also been recorded in many importing and exporting countries. To help promote exports, the Government is selectively reducing its heavy export taxes.

South Korea's agricultural output is up substantially, but it is merely recovering from a dismal, weather-affected 1980 harvest. Rice production is up 20 percent to 5.03 million tons, and the total food grain output is 14 percent above 1980. The country is still recovering slowly from last year's recession, and consumption of beef and pork, both in short supply and high-priced, is growing very slowly. Poultry and milk consumption are showing stronger growth. Chicken numbers have increased rapidly in 1981, and rebuilding of the dairy herd is underway. Swine producers, however, have remained very cautious

about expanding, especially since the Government has allowed beef imports in 1981 and 1982. As a result, feed grain imports will only grow marginally in 1981/82, and, because of increased competition, U.S. corn exports may fall slightly. Longer term prospects for Korean feed imports remain bright, as sustained economic growth for the 1980's continues to be likely. (E. Wayne Denney, 202 447-8229)

Africa and the Middle East

West Africa's Production Favorable

Much of West Africa experienced good weather this growing season. Crop production generally should equal last year's or be slightly higher in areas with adequate and timely rainfall. The crop outturn in southern Nigeria, much of Benin, Togo, Ivory Coast, Liberia, and Sierra Leone should be normal, while grain production in much of Mali, part of Senegal, Gambia, and Upper Volta should be better. Peanut output in Senegal is estimated at 650,000 tons, well above last year's disastrous crop.

Conditions were poor in northern Nigeria, where sorghum production, damaged by lack of moisture, should be lower than last year's 3.8 million tons. Millet and corn crops might attain last year's levels. Increased planted acreage should boost rice production about 13 percent to 825,000 tons. Large imports of corn, wheat, and rice will again be necessary to meet the growing domestic demand. The value of U.S. agricultural exports to Nigeria in fiscal 1981—principally wheat, rice, and corn—increased by 48 percent to \$490.5 million. Despite the current decline in Nigeria's oil export earnings, imports of U.S. agricultural products should surpass \$500 million during fiscal 1982.

Elsewhere, inadequate rainfall in northern Ghana and in the southern grain-producing region of Niger diminished harvest prospects. Dryness prevailed in eastern Chad, northern Senegal, and southern Mauritania, where grain harvests are also expected to be poor. Local food shortages are likely, and the United States, along with other donors, will probably be asked to provide food aid. During fiscal 1981, the United States provided \$45 million in food aid to the Sahelian region. Preliminary PL 480 budgets suggest that this amount will also be available in fiscal 1982.

Southern and Eastern African Corn Improves

The 1981 corn crops in eastern and southern Africa were up, compared with 1980's lows. Record crops were harvested in Zimbabwe, South Africa, and probably Malawi. Corn production also improved in Kenya, Zambia, and Mozambique. But, only Zimbabwe and South Africa are exporting corn, while the others continue to import. Nevertheless, U.S. corn exports to this region may be reduced during 1982.

South Africa is not likely to repeat its 1981 corn production and yield records. Generally dry weather prevailed in the main corn-growing areas during October

and early November, and delays in planting may have already reduced the potential of the 1982 harvest.

Zimbabwe is specifically responsible for food security among the SADCC (Southern African Development Coordination Conference) countries, which, besides Zimbabwe, include Zambia, Tanzania, Malawi, Angola, Swaziland, Botswana, Mozambique, and Lesotho. With its record corn harvest of about 3 million tons (aided by good weather plus a policy of increased prices), Zimbabwe has a surplus of about 1 million tons to ship to its neighbors. However, the transportation infrastructure required to move corn to deficit areas has so far been insufficient to fully meet the needs. Moreover, foreign assistance is important for financing shipments to African markets, because many of these countries have very weak economies, with poor prospects for improvement in 1982.

Tanzania is a major exception to the improved corn outlook. Because of marketing difficulties and unfavorable weather, the 1981 crop will be down for the third consecutive year, well below estimated consumption needs. Stocks are already low. Other grain production will also be low; foreign exchange is short, and the country will require food aid to fully meet its needs. Cereal import requirements are estimated at over 400,000 tons for 1981/82.

In Angola, drought severely reduced the 1981 harvest. Production of corn, the staple grain, could be as much as 100,000 tons below last year's 360,000. Harvests of other crops also declined, especially in the south where the drought was most severe. Also, fighting near the Namibia border has displaced thousands of people. On the brighter side, the rainy season is off to a good start.

Sudan's agricultural output has been declining recently, principally because of poorer cotton yields. The 1981 output of other crops also stagnated, with no large gains except for sugar. Low wheat yields brought a policy change, and output has leveled off at some 200,000 tons, about a third of domestic demand. The remaining wheat requirements have been imported mostly as P.L. 480 shipment from the United States. In fiscal 1980, these U.S. exports amounted to 309,720 tons of wheat and 54,188 tons of wheat flour. In fiscal 1981, they totaled 223,359 and 108,410 tons, respectively. Sudan's imports will probably continue, at least at this level, because government policy is now deemphasizing wheat production.

North African Crops Mixed

In North Africa's Maghreb—Algeria, Libya, Morocco, and Tunisia—a devastating drought reduced Morocco's 1981 wheat and barley production to one-half the level of the previous year. This caused total grain production for the Maghreb to drop from 7.6 million tons in 1980 to 6.1 million in 1981; however, Algeria, Libya, and Tunisia all showed gains. Algeria is reported to have had the best grain crop since 1976, with production at 2.4 million tons. Tunisia produced a record 1.35 million tons of wheat and barley, a 15-percent increase over 1980's output. In Libya, both wheat and barley continued their upward trend, spurred on by large investment in land

reclamation, irrigation, and modern technology. However, the shortage of suitable labor continues to be an important constraint.

The drought in Morocco, combined with strong demand for food and rising needs for animal feed in the other North African countries, is expected to push grain imports close to 7 million tons in 1981/82, compared with 5 million the previous year. Thirty percent of this is forecast to come from the United States. All of these countries have a potential for more wheat and barley production, but increases in per capita output appear unlikely. Consequently, the Maghreb will continue to import about 5 million tons of grain annually in the foreseeable future.

In Egypt, farm production was up about 1 percent in 1981, as increased output of rice, vegetables, and meat offset a 15-percent drop in corn output. Egypt's total agricultural imports are expected to continue rising above the \$4.5 billion of 1981. In fiscal 1981, U.S. agricultural exports to Egypt totaled around \$1 billion.

Middle Eastern Imports Grow

In the Middle East, favorable weather and some expansion of planting resulted in larger wheat and barley harvests in Iran, Iraq, Syria, and Israel. These gains, however, were not sufficient to alleviate serious food shortages in urban areas of Iran and Iraq, or to completely eliminate Syria's need for imports. Estimates of Iranian production of wheat, barley, and rice are slightly better than 1980. However, imports of wheat, at 2 million tons, and rice and barley at about 600,000 tons each, are near-record. In fiscal 1981, the United States exported 836,000 tons of wheat to Iran. An equal or slightly greater volume is projected for 1982. Iranian meat and sugar output have been declining, and imports of these commodities have been substantial.

Although Turkey had an excellent 1981 wheat harvest of 13.2 million tons, domestic pricing and other policies resulted in a shortage of government supplies, causing Turkey to purchase 486,000 tons of U.S. wheat in the summer of 1981. Further purchases may be forthcoming in the spring of 1982.

Middle Eastern imports of farm commodities are likely to continue to rise at a rapid pace. The population is growing at about 3 percent annually, and diets have improved in most countries. With the exception of Turkey, the Middle Eastern countries now import about half of their food supplies. Agricultural imports continue to climb, even when local production increases. Wheat and flour imports by Middle Eastern and North African countries will total about 21 million tons in 1981 and purchases of rice will exceed 2 million tons. Sales of U.S. wheat to North Africa and the Middle East reached a record 6.7 million tons in fiscal 1981, a gain of 2.4 million. U.S. wheat exports to these countries will again expand considerably in 1982. (H. Charles Treagle, 202 447-8054)

Latin America

Production Prospects Continue Bright

For Latin America, 1981 can be characterized as a good agricultural year. However, the gains are unevenly distributed. The majority of countries in the region are expected to register greater farm output than in 1980, while the rest will show no change or lower production when the final estimates are in. The main contributors to the increase—Brazil, Mexico, Argentina, and Colombia—account for 70 percent of the region's total farm output.

Brazil is experiencing its most bountiful harvest in history, with the soybean outturn reaching a record 15.5 million tons. Tropical products, grains, food crops, and other oilseeds all did well, with the exception of wheat production, a disappointing 1.8 million tons, compared with an expected 2.4 million.

Mexican grain production in 1981/82 is expected to increase nearly 5 percent above last year, despite a likely decline in sorghum output. Oilseeds production will be higher, as a doubling of the soybean output will more than offset declines in cottonseed and safflower. Good pasture conditions should permit a moderate gain in beef and veal production.

The success of the 1981/82 Argentine grain crop currently depends upon adequate rain during the critical months of January and February. Current estimates put the wheat harvest around 7.5 million tons, down sharply from earlier predictions of 9.2 million. Dry weather also caused a considerable shift in planting from corn to sorghum and sunflowers. The total grain output is currently placed at 24.9 million tons, compared with last year's record 29.1 million. Total oilseed production should reach a record 7.1 million tons, led by strong increases in soybeans and sunflowerseed. The dry pasture conditions, coupled with low prices, forced some producers to sell more beef cattle for slaughter than had been anticipated during a period when herd rebuilding was expected.

Agricultural production in the Andean countries is expected to be generally above 1980's low levels. Increases in basic food crops and higher poultry output are the main factors in Bolivia, Colombia, and Peru. In Chile, the growth reflects higher output in feed grains, export crops, and livestock. But in Ecuador, the situation is mixed, with increases in livestock and oilseeds and declines in other crops.

The 1981 situation in the Caribbean basin is varied. In Venezuela and the Caribbean it's bleak because of heavy, unseasonable rains in most of the region. Cuba and the Dominican Republic are expected to show improvement in farm output. Production in Costa Rica, Guatemala, and Nicaragua will be higher, but there will be declines in El Salvador and Panama. However, for most countries in Central America, 1981 was a good year for grain production for domestic use. The adverse conditions were mainly in the export commodities, particularly in cotton. Low world prices, tight credit, disruptive land reform, and violence in the countryside are behind the export declines.

Trade Prospects Mixed

With generally increased production, exportable supplies should be higher in most Latin American countries. However, weak world prices for cocoa, sugar, and beef will continue to depress export earnings. At the same time, improved production of domestic food crops will reduce import needs in many countries during 1982.

U.S. exports to Latin America will likely total \$6.3 billion in fiscal 1982, nearly \$700 million below 1981. Despite lower international prices for many commodities, improved production prospects and sluggish economic conditions in Latin America may depress demand for agricultural imports in 1982.

Mexico will remain the major market for U.S. products in the region during fiscal 1982, even though imports are expected to drop to about \$2.2 billion, down from \$2.7 billion in fiscal 1981. U.S. farm shipments to Venezuela are forecast at slightly over \$1 billion; to the Caribbean, slightly under \$1 billion; to Central America, about \$370 million (slightly below last year); and to South America (excluding Brazil and Venezuela), slightly above last year's \$1.2 billion.

U.S. wheat shipments to the region are expected to be near 8 million tons, about the same as fiscal 1981. Declines in exports to Mexico, Bolivia, and Peru will be offset by increases to Central America, the Caribbean, and South America. Generally lower prices will result in the total value declining slightly to about \$1.5 billion.

U.S. rice shipments to the area may be up about 10 percent to 240,000 tons, valued at \$106 million. Exports to Mexico, Chile, and Colombia will be lower. The increases will be mainly to Central America, the Caribbean, and the rest of South America.

U.S. feed grain shipments are expected to be down by nearly 4 million tons from 1981 because of improved harvest prospects and more stringent economic conditions in many countries. Most of the decline will be in Mexico and Brazil. Venezuelan imports, on the other hand, may be about 200,000 tons higher, as that country attempts to bolster its livestock production. The poultry and pork industries continue to be the main factor behind the demand for feed grains in Latin America. Lower quantities and prices will push the total value to slightly under \$1 billion in fiscal 1982.

U.S. agricultural exports to Latin America¹

Region or country	1975-79 average	1980	1981 ²	1982 ³
<i>Million dollars</i>				
Mexico	686	2,003	2,779	2,216
Central America	217	385	379	369
Caribbean	440	711	809	957
Brazil	290	698	787	529
Venezuela	334	616	910	1,016
Other South America	569	1,065	1,296	1,222
Total	2,536	5,478	6,960	6,309

¹Fiscal year. ²Preliminary. ³Forecast.

Soybean shipments, valued at about \$285 million, are forecast at slightly under 1 million tons in fiscal 1982. Most of the decline of about 300,000 tons is expected in sales to Mexico—a result of improved production prospects and tighter economic conditions.

Latin America's import bill for animal and animal products, fruits and fruit preparations, nuts, vegetables, tobacco, cotton, and field seeds is expected to be higher, while the total value of shipments of essential oils and the other products in the vegetable category will probably be lower. (John E. Link, 202 447-8133)

U.S. agricultural exports to Latin America¹

Commodity	1975-79 average	1980	1981 ²	1982 ³
<i>Million dollars</i>				
Animals and animal products	414	685	772	842
Grains and preparations	1,285	2,954	3,443	2,596
Fruits and preparations	49	92	136	158
Nuts	11	28	30	33
Vegetables and preparations	108	251	496	607
Feeds and fodder	49	79	85	99
Oilseeds and products	427	967	1,213	1,205
Tobacco	36	57	68	84
Cotton, including linters	9	6	7	8
Essential oils	14	20	21	20
Seeds	38	71	78	93
Other vegetable products	96	268	611	564
Total	2,536	5,478	6,960	6,309

¹Fiscal year. ²Preliminary. ³Forecast.

U.S. agricultural exports to Latin America¹

Commodity	1975-79 average	1980	1981 ²	1982 ³
<i>1,000 metric tons</i>				
Wheat and products	5,397	7,306	7,980	7,926
Rice	77	250	218	240
Feed grains	3,527	10,850	10,969	7,072
Oilmeal	303	754	906	858
Soybeans	467	1,101	1,285	980
Oils	246	500	530	607
Tobacco	12	8	9	12
Cotton	11	9	1	1

¹Fiscal year. ²Preliminary. ³Forecast.

WORLD FOOD AND TRADE POLICY DEVELOPMENTS

Commodity Agreements

International Wheat Agreement Extended

On May 8, 1981, the United States again renewed its membership in the International Wheat Agreement, 1971 (IWA). First renewed in March 1979, the IWA comprises the Wheat Trade Convention, 1971 (WTC) and the Food Aid Convention, 1980 (FAC), which were extended for a second 2-year term by the adoption of the Protocols for Extension on March 6, 1981, at a conference in London. The IWA contains no economic provisions, but rather provides a mechanism for consultations concerning world wheat trade through its governing body, the International Wheat Council (IWC), and its Secretariat based in London.

The Wheat Trade Convention, through the Council, disseminates world trade and price information on wheat, carries on a continuous wheat market review, and maintains an alert committee at necessary times, in addition to providing a forum for discussions. The Food Aid Convention, 1980, establishes for donor countries a minimum total contribution of 7.6 million tons of edible grains and grain products, or the cash equivalent, and encourages participants and potential IWA members to reach the 10-million-ton food aid target agreed upon at the 1974 World Food Conference.

U.S.-USSR Grain Agreement Offer Increased

Following the 1-year extension of the U.S.-USSR Grain Supply Agreement on August 5, 1981, the regular semi-annual consultations were held September 30-October 1 in Moscow. At the session, the United States offered to sell the Soviets an additional 15 million tons of wheat and corn over the 8-million-ton level, beyond which government-to-government consultations are required. The combined offer of 23 million tons applies to the extension year that runs from October 1, 1981, to September 30, 1982. Presently, Soviet purchases of U.S. grain are expected to amount to about 18 million tons. The next regular meeting will take place in Washington, D.C., probably in the spring of 1982—although either party may request an earlier one. No dates have been set for negotiation of a new agreement.

International Cocoa Agreement

In an effort to attain sufficient membership, the International Cocoa Organization's (ICCO) Council has extended the deadline until March 31, 1982, for governments to join the 1980 International Cocoa Agreement (ICCA). At the time the ICCA provisionally took effect on August 1, 1981, 72 percent of the producers and 62 percent of the consumers had signed or notified the ICCO Council of provisional application, falling short of the charter-required membership of countries responsible for 80 percent of world cocoa exports and 70 percent of imports. Neither the United States, the

world's largest cocoa importer, nor the Ivory Coast, the world's largest producer, have joined, although ICCA proponents hope that the Ivory Coast will join before the 1982 ratification deadline.

At the end of September, the ICCO buffer stock manager began buying cocoa to maintain the \$1.10-a-pound floor price. The manager may purchase a maximum 10,000 tons daily, up to 100,000 total, but no more than 35,000 tons within 5 consecutive working days. If the indicator price remains below \$1.10 for 5 consecutive days after the 100,000-ton limit, the manager must defend a \$1.06-a-pound price by buying up to 75,000 tons, maximum. By October 7, when purchases amounted to 61,325 tons of cocoa, draining the buffer stock fund without attaining the \$1.10 price, the ICCO began arrangements for a loan of up to \$120 million from the 20 international banks authorized to handle ICCA funds. The ICCO Executive Committee will review progress on borrowing new funds in January 1982.

ICO Quota Set

At its September 7-25 meeting, the International Coffee Organization (ICO) set its annual global export quota at 56 million bags for 1981/82. The first-quarter export quota, from October to December 1981, was set at 13 million and later increased by 1 million on October 22, when the indicator price, a 15-day moving average, rose above the \$1.15 level required for a quota expansion. The indicator price exceeded the \$1.20 level needed for another quota expansion, reaching \$1.2482 on November 27. No new expansion is expected and the ICO is relying on the size of the current annual quota to maintain coffee prices near the desired \$1.30 level. Quota expansions are prorated among ICO members. The ICO Council will meet next in March 1982.

Trade Actions

Section 301 Petitions

Section 301 of the Trade Act of 1974 directs the President to obtain the elimination of foreign trade practices that restrict or discriminate against U.S. commerce. Whenever the U.S. Government accepts a petition alleging 301 violation, it recognizes the merit of the U.S. industry complaint and may pursue a resolution either (1) bilaterally, (2) through the dispute settlement mechanism of the General Agreement on Tariffs and Trade (GATT), or (3) under the codes arising from the Tokyo Round Multilateral Trade Negotiations (MTN), such as that on subsidies and countervailing duties.

Current 301 petitions involving agricultural products reflect increasing concern about the competition the U.S. agricultural sector faces from the EC's subsidization of its agricultural exports in the world market. Longstanding allegations of 301 violations exist for wheat flour (first petitioned in December 1975) and citrus products (November 1976). The former is pursuing subsidies code

conciliation talks, and the latter is considering GATT XXIII:1 consultations. Most recently, cases have begun alleging EC subsidization of sugar (initiated October 5, requesting subsidies code consultations) and poultry (begun October 28 requesting same consultations). Two petitions have been filed for consideration on pasta, and others on canned fruit and raisins. More section 301 filings alleging EC-subsidized competition are expected on both agricultural and industrial products.

U.S.-Australian Trade

In August, the U.S. Department of Commerce determined that Australian lamb producers were receiving benefits from their Government amounting to an export subsidy. The Department's International Trade Administration recommended a 6.81-percent duty be attached to the f.o.b. value of lamb meat coming from Australia because of that Government's trade practice.

During September, amid Australian Government protests over U.S. countervailing duties on lamb imports into the United States, the USDA announced new measures to protect U.S. consumers from imports of adulterated Australian meat, following the discovery of horsemeat, and later kangaroo and mutton, mislabeled as beef, shipped from an Australian packing plant to Californian importers. The Australian Government broadened its investigation of the meat industry when mislabelled meat was found in domestic as well as export channels.

At the end of September, the Australian Government announced its signing of the subsidies and countervailing duties code of the GATT, one of the codes of conduct arising from the MTN. The code aims to ensure that export subsidies used by signatories do not harm the trading interests of other signatories and that countervailing duty measures do not impede world trade in a manner inconsistent with the GATT code. Thus, the code requires proof of industry injury in order to impose such duties. (Edward C. Wilson, 202 447-8840)



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